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State Economic Development Case Studies

Recent Changes

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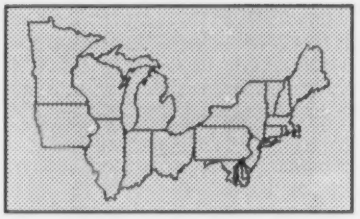

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The Northeast-Midwest Institute, the Center for Regional Policy, is a nonprofit research and public education organization dedicated to the long-term economic vitality of the northeastern and midwestern states. It conducts research, develops public policies, provides technical assistance, sponsors regional conferences, and distributes publications.

The Institute is unique among Washington policy centers because of its close working relationship with the Northeast-Midwest Congressional and Senate Coalitions. Founded in 1976, the Congressional Coalition, co-chaired by Reps. Howard Wolpe (D-MI) and Frank Horton (R-NY), is a bipartisan group of nearly 200 representatives who recognize the common problems facing their states. The Northeast-Midwest Senate Coalition, formed in 1978 and co-chaired by Sens. John Heinz (R-PA) and Daniel Patrick Moynihan (D-NY), has 36 members. Together the Coalitions seek to inform members of Congress about the impact of federal legislation and build consensus on issues of regional importance.

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States served by the Institute and Coalitions are: Connecticut, Delaware, Illinois, Indiana, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, and Wisconsin.

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Preface

In the last few years, the Northeast-Midwest Institute has received a growing number of inquiries from congressional and state offices on economic development program and policy ideas. Therefore the Institute, which traditionally focuses on federal activities, expanded its efforts substantially to identify and assess noteworthy state programs, especially those that might serve as models for jurisdictions grappling with similar circumstances. With states taking the lead in many domestic policy areas, such rethinking became necessary. President Bush underscored this trend in his 1991 *State of the Union* message when he talked about "the innovative power of states as laboratories." Nowhere has this creativity and activism been more apparent than in state community and economic development efforts.

Starting in 1987, I began to investigate initiatives underway in all 50 states. Since that time, I have sifted through information on hundreds of programs. Two books have emerged from this effort: *The Guide to State and Federal Resources for Economic Development*, published in mid-1988, and *Revitalizing Small Town America*, which appeared in late 1989 in response to requests for information on programs for small cities and rural areas. These reference guides were designed as handbooks of basic information to help promote economic development activities at the state and local level. They were published as a service to members of Congress and their constituents, state officials, and others directly involved in creating and attracting both jobs and investment.

Both books aimed to offer concepts, raise issues, and spark discussion of ideas among state officials with comparable development-climate problems and opportunities. Institute staff developed 83 case studies of exemplary programs in 35 states. Many of them are relatively new, devised to cope with the economic dislocation that the 1982 recession intensified. Unlike other compilations, the *Guide* and *Revitalizing* did not seek to provide laundry lists of programs; rather, they offer in-depth analysis of selected state efforts that succeeded in meeting their mission, and realistically could inspire similar efforts in other areas.

Now, as many states are in economic straits again, it is time to reexamine those programs to see how they have changed and matured and what they have achieved. Many were born of recession and must now cope with new circumstances of economic decline. *State Economic Development Case Studies: Recent Changes* revisits 75 of the 83 originally profiled. A few of the remaining have died; others are being recast for logistic or political reasons. In some cases, state officials were unable or unwilling to provide updated information. Many states have new governors and new agency heads who must evaluate current incentives and the policies behind them. This work occurs in the context of revenue shortfalls in more than half the states, which the current economic slump has exacerbated. State leaders may change or reduce programs to bring them in line with their vision of spending fewer public funds in the most efficient way. Even the specter of change has affected program operations.

In many ways, state economic development programs have defined the changing nature of intergovernmental relations and become what former ACIR Executive Director John Shannon has called "fend for yourself" federalism. They symbolize the state activism that characterized the 1980s, which evolved in part because of the withering federal role in economic development. This activism transcended party lines. Leaders from both political parties and of different ideological bent directed the structure and operations of programs with nearly identical missions to meet common problems of unemployment, economic dislocation and disinvestment, and community distress.

States have assumed the needed role of catalyst and investor, carrying out programs to bring together various sectors and expertise--along with capital--to make the economic development process go forward. This role will continue; the challenge for states in the 1990s, however, is to proceed in the face of their own fiscal constraints and political changes. The evolution of these initiatives, especially the record of which survive and which pass from the scene, will be one of the intriguing public-sector stories of the decade.

The idea of preparing an "update" for books like the *Guide* and *Revitalizing* is deceptively simple; doing it well is a laborious task. Reestablishing contact with officials, determining important program changes, identifying pertinent results, and organizing case studies took considerable effort and many months. It could have been accomplished only with the help of the assistant editors who worked long and hard on this project. Their top-notch efforts deserve special mention. Brent Kidwell, who organized the approach and carried out the initial round of contacts, was instrumental in setting the project in motion. David Engelman and Jocelyn Seitzman, whose attention to detail and perseverance were both professional and enthusiastic, were responsible for the depth of information presented; they always seemed able to secure that last fact, modification, or chart to produce a truly complete update. As always, special thanks are due to Debby Cooney, who oversaw the project's considerable preparatory and editorial challenges and systems manager Glenn Starnes, who always is able to overcome technical hurdles and devise ever better ways of presenting the material.

Finally, writing this update would not have been possible without the cooperation of dozens of state program officials and their staffs, who provided valuable information and perspectives on the changing nature of their operations and their relationship to the economic development puzzle. With so many programs facing funding cutbacks, managers and staff are finding their responsibilities increasing because demands for help are growing. Their duties have expanded as programs are refined to meet current needs; many now wear more hats than Dr. Seuss's famous Bartholomew Cubbins. Therefore, their generous sharing of time and information, much welcomed in the past, is especially appreciated now.

Charles Bartsch

Introduction:
State Economic Development Programs Evolve and Adapt

In the 1980s, state-sponsored development programs made remarkable leaps. Several factors brought this surge, including unsettled national conditions, a shrinking federal role in state and local development activities, and economic dislocation sparked largely by increased international competition. Collectively, these factors encouraged greater creativity and sophistication in state initiatives, which were tailored to meet specific needs, problems, and opportunities.

Grappling with a changing economy is the most critical issue facing communities across the nation. Often it means shifting from an outmoded economic base to a productive one with the financial, physical, and organizational ability to sustain growth. The challenge to diversify and modernize demands a broad-based effort on the part of government, business, academia, and labor. New companies and industries must be generated, new capital sources uncovered, new jobs created, and viable older firms revitalized so they can adapt and grow.

Until 1980, most development incentives were designed to improve conditions for attracting business, usually by lowering production costs; the incentives were aimed primarily at larger firms. The economic shakeout that began in the late 1970s reached its nadir during the 1982 recession, altering the way that states approached economic development. Structural changes in the economy made capital, technology, and human resources--factors that states can influence positively--more crucial. States began to emphasize innovative products and processes, identify a broader range of development partners, and focus on emerging enterprises and technologies. These diverse efforts led states to embrace more encompassing policies for economic development that went beyond traditional "smokestack chasing" to support entrepreneurial efforts and small business development, plus a new generation of programs such as venture capital, business incubators, and technology transfer centers.

Promoting economic development activities became, and remains, a top priority of governors and mayors. In spite of detailed research into related issues and techniques since 1980, however, the economic development process is still more an art than a science, neither exact nor fully predictable. The steps must be identified and the best combination chosen to fit local advantages and shortcomings.

The term *economic development*, defined in many ways over the years, was discussed at length in both *The Guide to State and Federal Resources for Economic Development* and *Revitalizing Small Town America*; it merits a recap here. Basically, it is the process by which individuals make decisions and then invest capital in an area--central business districts, neighborhoods, or exurban sites. The results are new, expanded, or retained industrial, commercial, or service enterprises and new or retained jobs.

For economic development to occur--whether in a city neighborhood, rural town, state, or region--the climate must be conducive to investment. The components of this climate are variously described and much debated by policymakers and practitioners. In its extensive work in this area over the past four years, the Northeast-Midwest Institute's research has identified eight critical components of this climate:

- accessible and affordable capital;
- availability of suitable space or facilities at reasonable prices;

- adequate infrastructure and related support services including transportation, communications, energy, water supply, and waste management systems;
- research and development capacity to support innovation and entrepreneurship, plus enhance market applications of technology;
- a work force that is appropriately educated, skilled, and suitably trained;
- regulations that meet public purposes without stifling business and investment activities;
- a tax system that enhances, rather than inhibits, development efforts; and
- a public-sector capacity to support economic development.

The match between these physical, financial, technical-research, and labor components and the needs of investors and entrepreneurs makes an area attractive for development and allows the process to go forward. While in practice the relative importance of these elements varies by location, project objective, and economic situation, all must be represented to some extent. State programs, missions, and strategies have evolved over the years, but this basic premise has not changed. The significance of any one factor relative to the others in a public program depends on the game plan pursued by the community and its economic situation. Those areas unable to attract investment or facing disinvestment lack at least one of these elements. Development officials must identify these gaps and work to fill them.

States have assumed greater responsibility for these tasks because the federal government has reduced its role so drastically. Since 1980 and especially in the last five years, state leaders have devised techniques to improve their development climates and stimulate economic activity. They have become more sophisticated in their methods for attracting investment, acting more like entrepreneurs. Programs continue to evolve to meet changing needs and emerging opportunities. Many are shaped by different levels of government and influenced by private-sector leaders; increasingly, they share funding and decision-making with universities, labor unions, and business organizations. Common elements are identified and built upon. In fact, state economic development tools fall into one of two broad categories: financial and nonfinancial assistance.

Financial-assistance programs are shaped to meet several objectives, such as reducing lenders' risk, reducing borrowers' cost of financing or easing their repayment situation, improving business cash flow, or providing equity capital. Mechanisms include: grants; loans (primary or subordinated); loan guarantees; interest-rate subsidies; bond financing (taxable as well as tax-exempt); equity financing (usually through venture or seed-capital initiatives); royalty agreements; and tax credits, deductions, or abatements. The accompanying table summarizes the factors that state officials now consider key in formulating financial-assistance programs.

Nonfinancial technical assistance reduces the cost of doing business; it can have as much impact on development as financial incentives. Most nonfinancial aid aims to improve state business and its development climate. Common types of help include: management assistance such as seminars, counseling, or tailored consulting services; referral or liaison services (often with potential clients or vendors); loan packaging; market-identification services; site selection; regulatory relief; training; and research and development.

These financial and technical assistance initiatives are the building blocks of state economic development programs. Through such initiatives, local economic development projects are tied to broader state and regional economic development policies, techniques, and strategies.

Key Factors to Consider in Formulating State Financial Assistance Programs

Type of Assistance	Terms of Assistance	Purpose	Principal Financial Supporter	Effect on Targeting	Program Funding Needs/Timing of Outlays	Administrative Burden	Potential to Use Private Financial Institutions	Measures of Success	Other Comments
Grants	Few, if any conditions placed on assistance. Some states may require match.	Improves access to capital and reduces cost of capital.	State taxpayers	Allows greatest targeting flexibility and control.	High per project cost. Requires continuous funding.	Low administrative costs; can be easily incorporated into existing grant programs.	None	Benefits to community: new/retained jobs; new/maintained tax revenues; businesses retained.	Susceptible to abuse.
Loans	Public money is loaned for specific purpose; repayment expected. May offer no or low interest terms.	Improves access to capital and/or reduces cost of capital.	State taxpayers	Allows targeting flexibility, with careful program planning.	One-time infusion. Programs can be made self-sustaining; easily expanded.	Can be costly and time consuming, since each loan must be carefully evaluated.	Not practical, although use as companion or subordinate loans can encourage private lender participation.	Benefits to community: amount of private funds.	Often administered by state-chartered agency or corporation.
Loan Guarantees	Public pledge to cover private loans made to riskier businesses in the event of default.	Reduces lenders risk.	Banks	Difficult, since government does not decide who receives loan that's guaranteed. Important to have explicit eligibility criteria.	Reserve fund required to cover default payouts as needed. Fund can begin small and increase as program expands.	Private lenders shoulder most of the administrative burden; borrowers absorb most costs.	Maximizes private sector involvement and flexibility.	Benefits to community: number of otherwise unbankable firms assisted.	Neediest firms often fail to qualify. Easy to expand program.
Interest Subsidies	Lower interest rates, because of direct state subsidy or incentives to private institutions.	Reduces capital costs.	Banks	Does not help business on the credit margin. Required outcomes (e.g., businesses retained) can be stipulated.	Continuous funding required to provide subsidies to banks.	Private lenders shoulder most of the administrative burden; borrowers absorb most costs.	Maximizes private involvement, increases business's ability to take on debt.	Increase investment activity (more loans, larger loans). Benefits no community.	Subsidies can be provided for different amounts and in different forms (e.g., linked deposit program). Does not improve small business's access to capital.
Business Development Corporations	Private funds offered to businesses otherwise unable to obtain loans.	Increases access to capital.	Private-sector members or subscribers	State has little or no control on targeting.	No public funds required to capitalize; may be linked to other programs.	Administered entirely by private corporation with periodic oversight by state regulators.	Private program subject to state rules.	Benefits to community: Increase in loan activity.	Can adopt more flexible guidelines from state agency.
Tax Abatements	Reduced or eliminated taxes owed.	Improves business cash flow.	Local taxpayers	Can be tied to specific industries, activities, or areas.	Foregone tax revenues for a specified time period (commonly 5 or 10 years).	Minimal, once structured. Needs oversight if sliding scale pegged to business performance.	None	Increased investment in desired improvements.	Not cost-effective to government. Does not help companies needing capital up front.

National Factors Influencing State Activities

Most of the nation bounced back from the 1982 recession and subsequent economic dislocation, but the recovery was uneven; some areas are entering the first downturn of the 1990s in very fragile condition. Many central cities and rural areas have not overcome the problems of economic decline. Unemployment still runs high in numerous communities, particularly among former manufacturing workers, minorities, inner-city youth, and women.

Federal policies are part of the problem. The United States has borrowed more than $1.6 trillion since 1980 to finance federal spending.[1] At the same time, the national merchandise trade deficit, nonexistent in 1980, has skyrocketed, exceeding $100 billion in 1990. The effects of these twin deficits have cut deeply. To finance the budget deficit, the federal government has absorbed a large amount of capital that might have been invested in more productive endeavors--plants and equipment, roads and other physical capacity, or research and technology transfer. Increased imports, meanwhile, have eliminated jobs and manufacturing plants, lowering tax revenues. This trend has affected federal development programs and hindered the ability of state and local officials to fund their own economic development and infrastructure programs.

In the late 1980s, the business sector went through--and many would contend it remains enmeshed in--a crisis of credibility, economic competence, and national responsibility. Many of the nation's leading firms focused more on unproductive mergers or financial-statement manipulation and less on long-term competitiveness. Large corporations shift jobs and capital around the world quickly via satellite. Speculative acquisitions and mergers eat up enormous amounts of capital and produce only mountains of debt; they also disrupt local economies and many lives while adding no new value to the economy. Older companies, frequently small manufacturers, often are acquired and then closed by their new conglomerate parents because, while profitable, they are not lucrative enough. At the same time, many of the nation's financial institutions are threatened by a sour real estate climate and bad loans. Some major banks are on the brink of failure. The savings and loan system is in crisis; it could require $500 billion in federal taxpayer bailout assistance.

The U.S. physical plant is another shaky pillar of the economic structure. In many communities in the Northeast and Midwest, the infrastructure that makes business activity possible--roads, water, communications, and other systems--is decrepit, having long since exceeded its useful life and suffering from insufficient maintenance and repair. In many areas of the South and West, demands for services have overwhelmed infrastructure systems built for sparser business and residential populations. This inadequacy inhibits growth. Federal funding has not kept pace with needs; states thus are faced with competing demands for scarce resources.

Congress and federal agencies must address overreaching national problems; they lie beyond the scope of individual states. Increasingly, however, state leaders are confronting those pieces of the macro puzzle over which they have some control to affect their economic development climates. They are formulating realistic strategies--either formal or informal--to address adverse conditions or build on opportunities that federal policies may present.

Looking into the 1990s

Prior to 1980, state officials usually treated economic development as a government function, like a social-service function, rather than the process it is. Federal programs such as urban renewal and Model Cities reinforced this viewpoint. Gradually, public officials recognized that economic development cannot

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[1]U.S. Department of Commerce, *Statistical Abstract of the United States 1990*, 110th edition (Washington, D.C., 1990), Table 497, p. 309.

be provided with the same certainty as street sweeping; agencies that set out to "do" it often failed in a costly way.

The experience in many states during the last decade, however, has helped to change this perception. The economic development process involves entrepreneurs, workers, and businesses creating valued products and services to be traded in a market determined by what consumers are willing to buy. While the process is primarily market-driven, all its phases--the creation, expansion, relocation, contraction, and regeneration of business--are affected by a range of state actions that cut across the old functional lines. Successful state strategies complement, rather than counter, basic market forces.

In the 1990s, state policies and programs probably will concentrate on meeting three broad objectives:

- generating and sustaining an adequate number of long-term, quality jobs at adequate wage levels;
- boosting economic growth through business retention, expansion, and development and helping to distribute its benefits to a broad range of beneficiaries; and
- supporting the revitalization of needy local areas to ensure the stability of the state's economy.

Many states will have difficulty committing the resources needed to carry out all these objectives, however. State governments everywhere face budget deficits. According to a recent *New York Times* analysis, more than half anticipate revenue shortfalls in fiscal 1991 ranging from $25 million in Colorado to $7 billion in California; tiny Connecticut faces a $2.6 billion imbalance. Some 17 states project deficits of more than $100 million.[2] The immediate cause of these fiscal problems is the economic downturn that has cut drastically into state tax revenues. The immediate response probably will be program cuts. Some 27 states expect budget cuts this year. These reductions will put pressure on spending for economic development, which could lead to reduction or elimination of programs, including some of those described in this book.

Many successful programs were crafted in response to the 1982 recession. That slump was characterized by permanent economic dislocation in many communities. Lack of federal action forced the states to take the lead in confronting the problems of recession head-on. In many states, bleak situations bred creativity and activism by the mid-1980s. The most innovative development programs concentrated on economic diversification, new business generation, and training for a new economy.

In the last part of the decade, initiatives were more incremental in scope. States usually redefined, improved, or added to existing programs and categories of assistance; basic strategies remained unchanged. This process is under pressure, however, from fiscal tough times and political change. Many governorships changed in the 1990 election; agencies and programs now face upheaval. State officials, many of them new to office, are assessing the programs they currently offer and the policies behind them to ensure that fewer funds are spent in the most effective way.

In spite of political change and dollar shortfalls, states must still address the gaps in their development climates and try to remedy them. Nine issues are emerging that are likely to garner considerable interest and lead to revised or new state policies and programs. They correlate with most of the basic components of the economic development climate.

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[2]Michael deCourcy Hinds, "80's Leave States and Cities in Need," *New York Times*, December 30, 1990, pp. 16-17.

Assure Sufficient and Affordable Capital

While capital is available nationally, tighter lending standards imposed by bank examiners recently means that credit is harder to get and more costly. Many firms, especially small ones and those involving new technologies or products, are having trouble borrowing money at acceptable rates and for enough time--if they can find a lender at all. Banks are turning away long-time business customers, refusing to extend new loans or renew the lines of credit that many operations need for working capital. Firms located in distressed areas or rural communities face even more obstacles in money markets. Federal financing programs, largely limited to guarantees of private loans, do not address the issue of access to capital.

In addition to the normal problems associated with underwriting, the growing concentration of assets in a shrinking number of large financial institutions creates obstacles to local development efforts. Many are restricting their loans to lower-risk propositions; often they are less responsive, even intimidating, to the small business owner or isolated rural enterprise. Seed or venture capital providers, who are willing to take greater risks in exchange for a potentially greater return on investment, tend to be concentrated geographically or sectorally, limiting their availability as well.

Increasingly states are willing to help new and small companies with their capital needs by assuring access to affordable credit and venture funds. In recent years, states have used their pension funds and chartered development credit corporations for these purposes. State programs could do even more if political hurdles were overcome. Ideally, program managers would be allowed to invest in emerging technologies, take risks, participate at the seed-capital stage, and be allowed to lose money early on. New industries and companies take time to become established; once they take hold, they can provide considerable impetus to economic diversity and a substantial return on state investment.

States do not necessarily need to intervene directly in financial markets, but they need to prod. States can, for example, provide incentives for targeted lending or loan-fund capitalization. They can urge public agencies and nonprofit organizations to use their funds to encourage financial institutions to extend credit to small businesses through linked deposit programs or similar mechanisms that influence investment decisions.

Promote Research and Technology Innovations

Many states now support technology transfer organizations, directing them to undertake research, evaluate strategies, and coordinate consortia to take advantage of inventions and innovations. Such activities encourage entrepreneurship. States often develop and operate space for new technology operations, such as business incubators, that connect university research capabilities with business-development opportunities.

Technology transfer is essentially a three-stage process: basic research generates new knowledge; applied research uses this information to develop new or changed products or processes; and development translates these new products or processes to commercial use. Technology transfer programs can lower the time spent and expenses during the product-development cycle; they also can transform new ideas into viable products and companies with substantial economic development results.

State and regional technology transfer programs have proliferated--more than 200 programs operate in 44 states. Several problems have emerged, however, that states will have to address if these efforts are to reach their full potential for economic development. In order to build a reputation for success, some programs have shown reluctance to work with new or very small firms. In other cases, university dominance has deterred participation by private firms. In some areas, interagency cooperation on management and financial assistance for budding firms has been minimal or nonexistent, causing would-be entrepreneurs to abandon their business start-up efforts.

Growing competition in the technology transfer market has resulted in the overbuilding of research facilities in some places, while funding to undertake research is growing scarce. Many large firms with their own research and development capacity bypass publicly sponsored programs altogether. As a result, basic

or ancillary research findings often are not made available to other organizations or firms for broader application, thus stifling opportunities for economic development.

State officials could take actions to make these programs more comprehensive, market-driven, and accessible to all types and sizes of industry, new and old. They could, for example, establish technology-information networks to link state, university, and private centers to each other in a "user friendly" manner. These networks might include "access intermediaries" such as teachers and librarians to bring resources to prospective beneficiaries such as small companies and entrepreneurs unable to tap such a system on their own. Such networks could serve as a sort of manufacturing extension service to use community colleges, small business development centers, and existing statewide networks to connect entrepreneurs to research centers, legal and management expertise, suppliers, and markets. Such networks could help link new technologies to traditional industries, and bring technology and manufacturing innovations directly to businesses and entrepreneurs.

The role of technology liaison or broker will be a key activity for states in the 1990s, especially in small towns. Some of the most exciting development opportunities in rural areas involve linking research advances to traditional agricultural products. For example, scientists are developing plastic-like biodegradable bags from corn byproducts that might eventually replace nonrecyclable plastic. States can fashion technology oriented initiatives to stimulate the development of new industries.

Encourage Infrastructure Technologies and Diversify Finance Programs

Deteriorating physical capacity presents real problems that cities and states must correct as they seek to maintain their existing economic base and attract new investment. On many primary and secondary roads, for example, poor conditions are the norm, not the exception; they cause costly delays in commuting and movement of goods. In other areas, decrepit rail facilities are causing accidents and frequent delays in freight shipments.

Infrastructure, the physical framework that supports nearly all economic activity, is a key ingredient in the development process. Infrastructure spending contributes to other community development and social goals, such as reversing the problems of geographic isolation for certain population groups or economic sectors. The federal government traditionally has assumed a major financial role in many infrastructure projects, but its participation has shrunk in the last decade and probably will shrink further.

Recent federal laws and policies have not been friendly to infrastructure. The budget-driven circumstances that led to these policies are not likely to change in the near future, even though substantial needs remain. Federal funding probably will be even harder to secure as new matching requirements force state and local governments to increase their contributions. States, therefore, are exploring creative ways to use federal assistance as a foundation upon which to build broader infrastructure finance and development programs. These experiments will continue in the mid-1990s. States also are in a good position to coordinate multijurisdictional planning and maintenance, which helps avoid duplication and results in more effective public investment. Such coordination is particularly important in rural areas, where sparse population reduces the financial base and economy of scale in providing many infrastructure services.

Technological advances in manufacturing and service industries will alter sharply the transportation, communication, waste disposal, and other infrastructure needs in the near future. But emerging technologies also can change the manner of providing these services and reduce the cost of facility construction and maintenance. New developments in materials, construction methods, and information and communication networks hold substantial promise for improving the performance, productivity, and durability of public works. Such advances could, in turn, lower installation and maintenance costs. States will have to take the lead in new technology applications and prod federal agencies to remove regulatory barriers to doing so.

Finally, new types of infrastructure, such as telecommunications networks and fiber-optic systems, can open new opportunities for economic development. These systems can spark new investment and job creation as well as reduce operating costs for existing businesses. They can bring economic development

opportunities to remote areas. No large-scale federal effort is planned for this purpose, however; the Rural Electrification Administration model of the 1930s will not be copied for telecommunications in the 1990s. States will have to spearhead such efforts.

Encourage Small Business Activity

The small business sector has become the vanguard of growth in the nation's economy, leading the economic revival in many communities. It will continue to be the focus of public-sector attention in the mid-1990s, even with reduced state program spending. Nationally, one job in five is credited to entrepreneurs starting their own companies. In some areas, small enterprises account for two-thirds of all new jobs. Economic diversity in older industrial centers and revival of many small towns have occurred because of the success of small businesses. State governments must try to provide a better climate in which small businesses can start and flourish, especially in distressed areas. Retention and expansion of existing companies also is crucial to economic recovery and growth. Little cumulative benefit accrues if state officials devote all their energy and resources to developing or attracting new businesses while existing firms slip away. Business retention and development activities often provide the greatest return for a limited public investment.

The annual rate of business formation has more than tripled in the last quarter century, from about 200,000 nationally in 1965 to nearly 685,000 in 1988.[3] Yet small enterprises, especially entrepreneurial start-ups, are frail and often need management, technical advice, and financial support to thrive or even survive. A major concern at all levels of government is stimulating viable new businesses, expanding existing firms, and encouraging small firms during their early, volatile phase. Although about half of all new companies fold before their fifth anniversary, realistically designed and properly managed public programs can work with businesses to help reduce this failure rate. States have established numerous programs targeted to specific entrepreneurial needs, all aimed at increasing the rate of small business survival--incubators, microbusiness loans, and customized technical assistance.

In the 1990s, governors and local leaders will consider and implement a variety of programs and policies to increase the new business birth rate; nurture budding small firms to help assure their survival; ease the expansion process for viable firms; and help prevent plant closings when practical. In all likelihood, these efforts will increase in sophistication, financial flexibility, and technical expertise to respond to the changing needs of emerging small businesses.

Spur New Economic Development Partnerships

Public-private partnerships became a mainstay of economic development in the 1980s, in large measure because of sizable reductions in federal program funding. Despite their remarkable diversity, such partnerships have given state and local governments more flexibility in dealing with economic problems and opportunities. Many have used public resources to leverage private investment, which produced much economic benefit for their communities--more than federal or state funds alone would have achieved. Moreover, closer working relationships between public and private sectors often leads to more effective use of public monies and enhances the overall economic development climate.

Because many of these partnerships have proven successful in linking public and private resources and expertise, new types of partnerships are likely. Communities are developing what experts term "second generation" public-private partnerships. Some of these more sophisticated and complex associations have gone beyond financial ventures to process- and problem-solving partnerships. Some, such as Pennsylvania's Ben Franklin Partnership and Ohio's Thomas Edison Program, focus on industrial development. Other promising partnerships involve entities new to economic development endeavors. In some cases, states may want to encourage partnerships to help provide other public services that influence economic development

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[3] *Statistical Abstract*, Table 877, p. 530.

activities. Housing or child care programs, for example, could free up resources for more conventional development activities.

New participants--including utilities, secondary schools, and private development organizations--need to be brought into the process in a direct and active way. Despite a vested interest in the economic vitality of their communities, they have played little or no role in encouraging economic development.

State officials are beginning to support new types of partnerships with funding as well as encouragement. Michigan and Illinois have adopted programs to promote mutually beneficial activities between jurisdictions; South Dakota and other rural states provide small towns with a framework to plan and carry out cooperative development projects. Missouri has provided tax credits to encourage business involvement in community improvement.

States also must work with existing partners, such as universities and private developers, to devise new types of joint efforts with public and nonprofit agencies. Incentive or challenge grants, tax credits, or regulatory relief for new types of public-private partnerships might be the mechanisms; they could be targeted to certain types of endeavors, such as technology transfer or small-business development. Other partners could expand their levels of support. For example, utilities are poised to play a key role in the technology modernization so critical to industrial competitiveness. The Northeast-Midwest Institute is helping states to encourage utilities to introduce new, more energy-efficient technologies into manufacturing industries; utilities can help reduce business energy costs and thus improve company cash flow.

Restore Industrial Competitiveness and Promote Trade

If the nation is to regain a strong competitive position in international markets, industries such as steel, fabricated metals, autos, machinery, chemicals, and textiles must be modernized and the latest available technologies introduced into production processes. States cannot legislate competitiveness, but they can establish a climate that encourages new technology applications, enhances productivity, and stimulates private investment in industrial retooling. To advance this objective, states are supporting more sophisticated technology transfer and deployment efforts, and devising complementary training, education, and targeted investment incentives to bolster private initiatives in this area. They also are making important contributions to business productivity simply by reducing regulatory hassles and red tape.

The nation's basic industries are in need of major restructuring and technological modernization if they are to remain viable and competitive in international markets. In addition, the problem of industrial succession--continuing operation of small but viable manufacturing and commercial firms when their owners retire or die--is of growing importance in the traditional "rust belt" cities, which contain many small, family-owned industrial operations. Many of these "mom-and-pop" manufacturers are the primary source of specific parts and supplies for giant companies in the auto, steel, and other industries. They fill a niche not easily assumed by others. States need to devise strategies to transfer ownership to employees or new operators.

States have used technology policy as an important tool in economic restructuring. Program initiatives have matured in the last few years; the initial glitzy "high tech" that dazzled development officials has been refined to reflect the economic base of the host area. Many programs now include a component for basic manufacturing needs plus new, practical applications of existing technologies to improve productivity in traditional industries such as steel and ceramics. The state role in promoting competitiveness will continue to be a prominent trend in economic development in the mid-1990s.

States have assumed a more active role in export promotion than the federal government, exploring various approaches to help small and medium-sized companies market their products overseas. Export promotion offers states important opportunities to increase economic activity and generate revenues in ways that do not compete with unsubsidized business activities.

Most state programs aim to bring new firms into the process, targeting those unable to mount their own international efforts. In the last decade, more states offered technical and managerial expertise to companies; a few offered financial help to get them through the export process and payment timeframe and provide them with a cushion against the risks inherent in selling abroad. Producing for export serves the public interest by contributing to increased employment, tax revenues, and personal incomes. States have brought more stability to their economies by locating new markets for existing industries. Their programs have helped their key industries adjust to declining domestic demand. As the economic benefits of export become more widely recognized, states will expand their efforts to include financial backing for small businesses that are potential exporters.

Improve Education and Training Efforts

Education and training programs occupy an increasingly important place in economic development strategies. State officials have recognized job preparation and basic skills as key components of the business attraction, expansion, and generation processes. Technology and literacy requirements are changing with the transformation of state and local economies. Both the public and private sectors now must respond to new, often unexpected, and substantially different demands for job skills and related human services necessary to obtain them.

U.S. workers, as well as U.S. industry, must be prepared to adapt to economic turbulence that is bound to come. The nation's competitive advantage lies in the use of sophisticated technologies and flexible manufacturing systems that are less susceptible to competition from low-wage assembly lines overseas. States will take the lead in improving the basic competence of the work force. Building on their past initiatives, state leaders will explore new ways to ensure that the work force has the basic skills necessary to operate a wide range of production equipment, assume different tasks as customer needs change, pinpoint and solve production problems as they emerge, and acquire new expertise as technologies change.

An important economic development role for state leaders, as indicated earlier, is encouraging sectors not traditionally associated with economic development to become active participants in devising and carrying out recovery and growth strategies. In the 1990s, states will emphasize partnerships with education. Policymakers have recognized the importance of school systems at all levels--elementary and secondary as well as higher education--in promoting economic development. As technologies change, U.S. workers will have greater need to tap school resources; strategists will rely more heavily on these systems to teach basic skills. Therefore, school curricula and standards must be more closely linked to the workplace and the community. School systems in some areas are sharing staff and facilities such as libraries or computer labs with entrepreneurs and small business operators; others are exploring innovative arrangements to broaden the economic impact of educational resources. Properly structured, such arrangements benefit students and school systems as well as the overall development climate.

Overcome Environmental Barriers to Industrial Site Reuse

In many of the nation's older cities and towns, many aging industrial facilities sit underused or abandoned. These structures have the potential to house today's emerging technologies and manufacturing processes; many of them also are located in areas adjacent to downtown commercial centers. Given shrinking levels of public resources for investment in new infrastructure systems and concerns for rejuvenating distressed areas, these sites could be attractive targets for redevelopment. Many, however, face serious pollution problems.

Environmental contamination is emerging as one of the pressing development issues of the 1990s. A recent *Wall Street Journal* article stressed that environmental uncertainties are affecting development projects adversely. Clouded environmental liabilities "are killing some deals outright, sharply raising the price

tag of others, and causing still others to crash later on."[4] Central cities as well as small towns that relied heavily on manufacturing industries now find their land and water contaminated, often from activity that took place decades earlier. In the case of plants that have shut down, local governments may have assumed title to the property by default. Many communities do not have the ability to track down former owners or pay for complex site cleanups.

Returning abandoned factories and sites to productive use creates more than jobs and tax revenues; it produces social, environmental, and aesthetic benefits for states and municipalities. Yet contamination can raise daunting obstacles to redevelopment. The extent of the pollution is often unknown, making difficult the estimates of time and resources needed for cleanup. Additional costs and delays resulting from regulatory procedures can reduce the attractiveness of a site to zero. Undefined risks and potential liabilities associated with environmental contamination deter private developers. Lenders harbor similar fears of liability, which have caused capital sources to dry up. In the 1990s, state governments will have to play a lead role in supporting cleanup and making sites usable again if this type of redevelopment is to go forward.

Conclusion

In the 1990s, states will continue to be catalysts in bringing together the technology, labor, capital, and public-sector financial and technical resources necessary to stimulate investment and promote entrepreneurship and innovation. In the face of declining federal development support and shifting service-delivery responsibilities, states will continue to plan and carry out innovative economic development programs and strategies. Many agencies have developed the expertise to function as true development partners, not just as conduits of money to private endeavors. State activism in this arena is here to stay. The challenge for state officials in the 1990s will to pursue these efforts in spite of political and economic changes and fiscal constraints.

Grappling with a changing economy continues to be the most critical issue facing states and communities across the nation, and one taking on greater importance in the decade's first economic downturn. These changes will involve adjustments from an often outmoded economic base to a productive one with the financial, physical, and organizational ability to sustain growth. This adjustment must be achieved, moreover, with less federal support for this purpose than at any time since the Great Depression. The challenge to diversify and modernize the economy will depend on a broad-based effort on the part of government, business, labor, and academia.

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[4]Caleb Solomon, "Poison Pills," *Wall Street Journal*, April 2, 1990, p. 1.

Key Features of the Case Studies Update

State programs are as diverse as local economic development conditions and development needs; any framework for their analysis is much debated by experts. For purposes of organization, the original *Guide to State and Federal Resources for Economic Development* defined eight types of programs, loosely linked to the key factors in the economic development climate. They were based on broad patterns of state initiatives that became apparent during a survey of officials in each of the 50 states undertaken for that book, which was completed in early 1988. Obviously, these categories were intended to be flexible because programs have such diverse elements and goals.

More than 500 programs were examined in preparing the *Guide*; 60 were ultimately selected for case study analysis under these categories: (1) business development; (2) finance; (3) targeted development initiatives; (4) infrastructure; (5) cooperative research and development centers; (6) trade; (7) training; and (8) tax incentives.

After publication of the first book, which was welcomed by members of Congress and state and federal leaders, the Northeast-Midwest Institute received numerous requests for information on programs aimed at the needs of smaller communities. The economic development problems of the country's small towns and rural areas came to the forefront in state capitals and in Congress in the late 1980s. Considerable interest was shown in programs and policies to promote economic recovery and growth in these areas. The Institute, therefore, decided to issue a report tailored to rural development issues.

Although designed to augment the *Guide*, the new book took on a life of its own as the need for this type of rural development resource became clear. *Revitalizing Small Town America* was published in mid-1989. It identified and analyzed programs either specifically structured for small-town constituencies, or those that promoted rural development within a broader program design. Three broad categories were eventually defined that reflect the most common state-based, small-town development strategies: business development, business finance, and business support. *Revitalizing* includes more than 30 program case studies.

Other books provide a laundry list of programs and describe their rules and procedures. The *Guide* and *Revitalizing* sought to meet a different informational need. Through selected case studies, these books illustrate the strengths of different states' approaches to promoting development activities and dealing with specific shortcomings in the economic development climate. Only programs with components that could be adapted elsewhere were chosen for inclusion.

State Economic Development Case Studies: Recent Changes, follows the eight-category organization of the original *Guide*. Programs appearing in that book are placed in the same category and in the same order in this update. Programs profiled in *Revitalizing* are located in one of the *Guide*'s eight categories most suited to their objectives. This update emphasizes program evolution and current results. It does not describe in detail basic eligibility criteria, application review processes, and other features unless they have changed since they were first reported. Complete descriptions of each program are found in one or both of the original guide books, which are referenced by title and page in *Recent Changes*. No new programs have been introduced, even though several interesting new ones have been launched since the two books were published. (In fact, some states have adopted programs patterned after case study examples that are more successful than the effort on which they were based.)

Recent Changes is designed to be used in conjunction with the two original volumes. Each case study update features four segments:

- program objective, which states the current mission;
- program progression, which highlights changes in the goals, operating procedures, eligibility criteria, and other features since the first report on the program;
- program in practice, which gives the most recent information available on results; and
- current contact address, telephone, and fax numbers.

Institute staff gathered and assessed information in late 1990 through direct contact with program officials, who proved generous is discussing these initiatives and forwarding reports and statistics. Case study updates were prepared based on this material.

Updated information on the federal programs covered in the original guides is contained in a companion volume, *Federal Economic Development Programs: Recent Changes*.

1. Business Development Case Studies

Business-development initiatives, with their job-creation benefits, are a top priority in many states and cities. They often shape the role of the public sector in the economic development process. Many efforts were inspired by research indicating that a substantial portion of the nation's new jobs and technological innovation takes place in the small-business sector. According to some experts, as many as one job in five is attributable to an entrepreneur starting his or her own operation.[1]

Every state has adopted a series of business-development programs to stimulate new economic activity. The most successful take advantage of existing economic advantages or improve the development climate. These programs play an integral part in local and regional economic revitalization and growth strategies. Although they vary widely in scope and level of effort, most focus on one or more of the following six broad categories or characteristics:

- a specific industry or sector, such as auto parts or agriculture;
- the entrepreneur or new business owner/operator and their development needs, such as access to investment resources, management assistance, and marketing advice;
- existing businesses, supporting their expansion and retention;
- nature of the business climate, usually with regulatory streamlining, one-stop business permit centers, and strategic planning;
- company size, with assistance--either technical, capacity-building, or financial--earmarked for large, mid-sized, or (most often) small firms; and
- development gaps, providing space or site, support services, finance, and other help necessary to launch an enterprise or get it through start-up or transition phases--business incubators are popular entities of this type.

A growing number of state leaders recognize that economic development activities can be sprouted as well as chased. Accordingly, strategies to promote the home-grown economy are more numerous. State programs with the most impact in specific communities and the most ties to broader-based regional economic development have some common traits. They support business development in the following ways: increasing the new business birth rate; nurturing small firms, helping essentially viable companies enhance their probability of survival during the early, volatile phase; easing the expansion process for firms already in place; and addressing business-retention issues aggressively to prevent closings and relocations.

Business-development programs are innovative and diverse. They include management and technical assistance efforts, such as marketing and financial-planning seminars, counseling, training, and advocacy. According to information collected by the Institute, 29 states support some type of incubator

[1]Catherine Armington and Marjorie Odle, "Sources of Job Growth: A New Look at the Small Business Role," *Economic Development Commentary*, Fall 1982, pp. 3-7; David Birch, *The Job Generation Process* (Cambridge, Mass.: MIT Program on Neighborhoods and Regional Change, 1978), passim; and Roger Vaughan, "Linking Education and Economic Development: Providence, Rhode Island," speech delivered to a conference sponsored by Rep. Claudine Schneider (R-RI), April 29, 1988.

facility to encourage new business formations and combat their high failure rate. The number of incubators approached 300 in mid-1990. Many are housed in underused or abandoned manufacturing complexes in inner-city neighborhoods. Some target specific industrial sectors.

Increasingly, states are supporting business development on a broad scale by scaling back bureaucratic requirements and making government agencies more accessible in an effort to improve their business climates. More are streamlining license and permit procedures and reducing regulatory requirements that have proven particularly onerous to new and small enterprises. Sixteen states have established "one-stop" centers with such services as liaison with other agencies for financial packaging and similar business resources. Nearly a dozen states have designated a business ombudsman or added toll-free hotlines for business information, granting them enough authority and access across bureaucratic levels to perform their jobs effectively. Many of these programs feature sophisticated computer operations to aid efficiency and speed response times. These efforts aim to reduce business operation and compliance costs--an important consideration for new firms with little cash to pay professional help.

Michigan Small Business Agenda

Reference: *The Guide* (1988), page 26

Program Objective

The Michigan Small Business Agenda is a public-private effort to strengthen and diversify the state's economy by encouraging the health and growth of the entrepreneurial small business community.

Program Progression

Michigan's original agenda was launched in 1983 as a plan to improve opportunities for small business development. Its success prompted program officials to make further proposals. Launched in 1988, Small Business Agenda II contained 59 initiatives to continue the effort. The agenda included recommendations submitted by elected and appointed delegates to the Governor's Conference on Small Business. Agenda II followed the completion of the initial 40-point administrative and legislative program designed to strengthen Michigan's small businesses and improve communication between state government and small business. Agenda II has three major goals:

- simplify and streamline the regulatory process by removing unnecessary barriers and burdensome costs on small businesses (including taxation, unemployment insurance, health care and worker's compensation);
- help companies grow by addressing concerns in public-private competition and quality public education, and by providing quality services, access to new markets, and effective communication; and
- encourage entrepreneurial activity to further diversify the economy by expanding state support for technology development and other efforts.

The Governor's Entrepreneurial and Small Business Commission, originally created by executive order in 1983, continues to play an important role in the partnership between public and private sectors. The 60 appointees, entrepreneurs and owners/officers of small companies in all areas of the state, represent a wide variety of businesses. Six task groups of the commission work directly with state agencies and institutions to develop policy relating to small business needs.

Program in Practice

Agenda II's first goal has encouraged several new initiatives. One deals with small business owners' resistance to paying the value-added state single business tax in years when they made no profits. Small business leaders worked on passage of an act that allowed the more than 30,000 small businesses eligible for the existing small business credit to choose an alternative 4 percent profits tax. The legislation raised the small business credit from a maximum of 90 percent to 100 percent. It also expanded eligibility for the credit from $6 million to $7.5 million phased in over three years; increased the small business exemption from $40,000 to $45,000, phased in over five years; and changed the way business profit is attributed to family members to make more family-owned businesses eligible for the credit and profits-tax alternative.

To futher agenda's second goal, the governor appointed a small business advocate to be a voice for the small business community in the administration. One of the advocate's first efforts was to coordinate a series of regional meetings that culminated in a statewide Conference on Small Business, where 145 elected and appointed delegates formulated a series of recommendations to the governor. Other efforts include the establishment of a Community Export Alliance, consideration of a privatization policy in the Department of Commerce, and an extensive pilot program between the business and educational communities called the Detroit Compact. Efforts to meet the third goal range from a pilot program to encourage qualified welfare recipients to gain economic independence through business ownership to expanding technology-development support.

The cooperative government and business interaction prompted by the agenda led to the Growth Margin Program, which improves the odds that small companies will grow successfully. The Department of Commerce finds private-sector management consultants experienced in counseling companies about growth. After checking consultant's work and references, it buys time from them at "bulk rates." With these reduced rates and another small public subsidy, business owners are able to get counseling services for about 40 percent of the going rate. The Commerce Department offers a money-back guarantee ensuring customer satisfaction with the service.

Contact

Governor's Small Business Advocate
Michigan Department of Commerce
Small Business Services
P.O. Box 30225
Lansing, Michigan 48909
(517) 373-8487
Fax (517) 373-3872

New Jersey Business Retention and Expansion Program

Reference: *The Guide* (1988), page 28

Program Objective

The New Jersey Business Retention and Expansion Program establishes a channel for businesses to relay their concerns to municipal governments in order to address problems early and avoid potential relocations or shutdowns.

Program Progression

The New Jersey Department of Commerce and Economic Development administers most aspects of the program. New Jersey Bell, the largest employer in the state, supplies financial and promotional assistance, as well as personnel to help train local program leaders. The program has not changed significantly since it began in 1983 and currently operates with one manager and a $35,000 budget.

Program in Practice

At least 70 jurisdictions have participated in the program since 1983. It has served as a vehicle by which businesses express concerns about street maintenance, traffic patterns, crime, and similiar issues. They also can learn of options for dealing with problems such as capital availability and costs of public service. The program also has helped acquaint business owners with various types of public-sector help available to them. Information gathered in the program surveys has yielded tangible economic benefits in cities of all sizes including Elizabeth, Belvidere, Boontown, and Hamilton.

Contact

New Jersey Business Retention and Expansion Program
Department of Commerce and Economic Development
Division of Economic Development
CN-823
Trenton, New Jersey 08625-0823
(509) 292-0516
Fax (609) 292-9145

PENNTAP

Reference: *The Guide* (1988), page 32
Revitalizing (1989), page 95

Program Objective

PENNTAP is a technology-based, problem-solving program that provides technical assistance to state businesses, governments, and other organizations to improve their productivity and profitability.

Program Progression

PENNTAP, established in 1965, is one of the oldest university-based technology-assistance programs in the nation. Its staff of scientists and engineers continues to offer direct technical assistance and helps transfer technical, scientific, and engineering information to applicants. Most services are still available free of charge. In 1990, the state Department of Commerce and Pennsylvania State University provided more than 83 percent of PENNTAP's funding.

In an effort to bring the program closer to its clients, PENNTAP officials recently established regional offices in Wilkes-Barre, Malvern, Monroeville, and Erie. The central office remains at the Penn State campus at University Park. The satellite offices have led to a greater demand for PENNTAP services; in fact, the number of cases increased 24 percent from 1989 to 1990. The regional centers also have served as liaisons between private companies and other local industrial and economic development organizations.

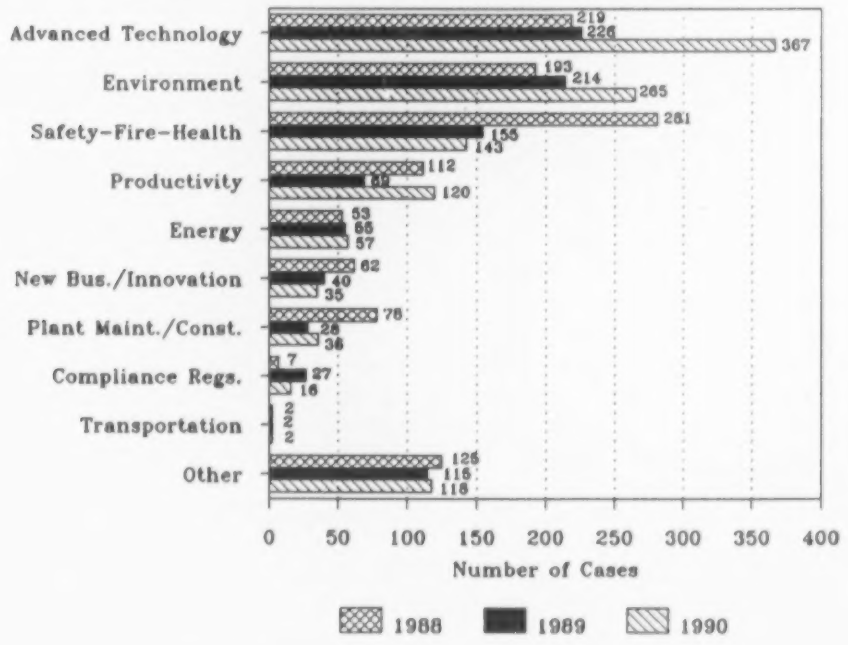
State officials intend to place greater emphasis on integrating PENNTAP's efforts with those of other state economic development agencies, such as Small Business Development Centers and various components of the Ben Franklin Partnership.

PENNTAP recently expanded its special program offerings. They now include the Business Gold technology-information service, which is available through a personal computer and modem. Business Gold, which provides information on government licenses, cooperative R&D opportunities, and pertinent technical assistance programs, is cosponsored by Bell Atlantic and the Naval Air Development Center. A new program, the Environmental Technical Assistance Program (ETAP) was established in response to a growing demand for services in areas relating to industry and the environment. PENNTAP continues to offer its Local Roads Program and operate its EDA/University Center program targeted to emerging technology-based industry.

Program in Practice

PENNTAP has brought important benefits to state businesses. Program officials estimate that every dollar invested in the PENNTAP technical-support system has returned $18 in benefits in the form of cost savings and productivity gains. Small businesses and entrepreneurs, traditionally major beneficiaries of PENNTAP services, have increased their requests in recent years; they made 59.2 percent of all requests from 1971 to 1986 and 62.2 percent from 1988 to 1990. During the last three years, state and local government inquiries comprised 11.8 percent of all PENNTAP cases; consultants and engineers 7.1 percent; and colleges and universities 3.6 percent.

PENNTAP Cases by Type of Problem: 1988-1990



1988 = 1,132 cases **1989 = 931 cases** **1990 = 1,159 cases**

SOURCE: *PENNTAP Status Report*, (Harrisburg, Pa.: Pennsylvania State University and Pennsylvania Department of Commerce), January 1991, p. 13.

PENNTAP staff members have given advice on biotechnology processes, manufacturing systems, materials handling, and numerous other types of technology-related problems. Specific examples include a small engineering consulting firm that needed information to enable it to solve a complex wastewater treatment problem for a client. PENNTAP found a treatment method that successfully removed metals and other chemical substances from the wastewater, making it possible for the client company to continue its manufacturing operations. Another firm, the Connecting Point Computer Center, used PENNTAP's help to configure and install a multiuser network for an area manufacturer, which resulted in increased sales for both companies.

Contact

PENNTAP
248 Calder Way, Suite 306
University Park, Pennsylvania 16801
(814) 865-0427
Fax (814) 865-3377

Pennsylvania Small Business Incubator Program

Reference: *The Guide* (1988), page 34
Revitalizing (1989), page 77

Program Objective

Several Pennsylvania state goverment agencies promote the development and operation of small business incubators by providing companies financial and technical assistance such as feasibility studies, business services, and the acquisition and renovation of physical facilities and equipment.

Program Progression

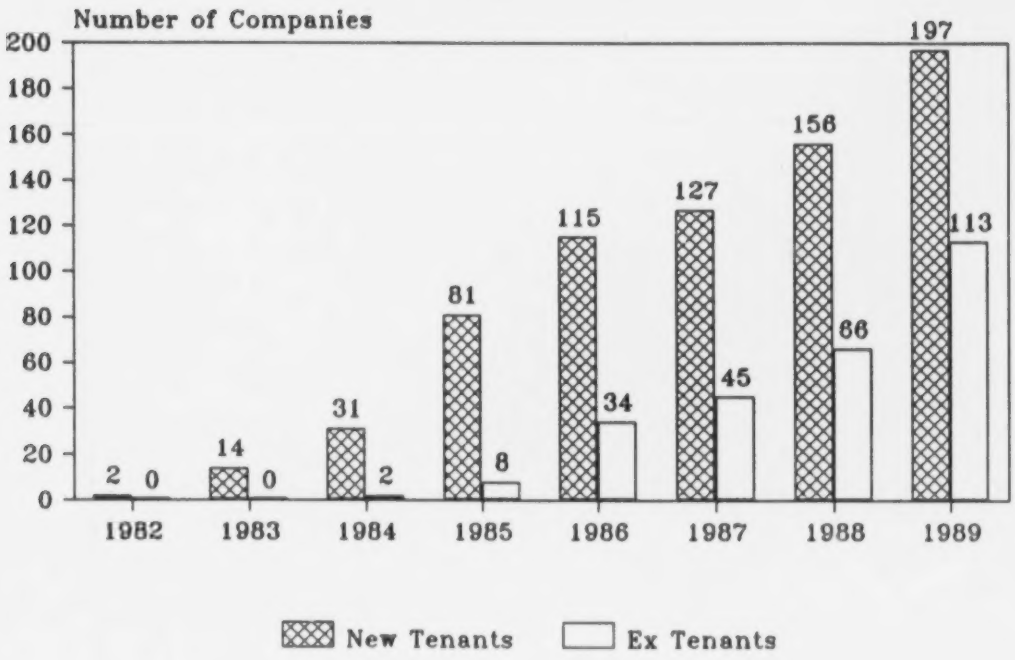
The Pennsylvania Small Business Incubator Program remains largely unchanged in its efforts to create new businesses that generate job opportunities. The original program, which provided low-interest loans to establish a network of small business incubators throughout the state, was amended to include grants to applicants located in state-designated enterprise zones. According to development officials, the program has shown dramatic growth since its beginning in 1984. Two-thirds of the current tenants have entered the incubators since 1987.

Program in Practice

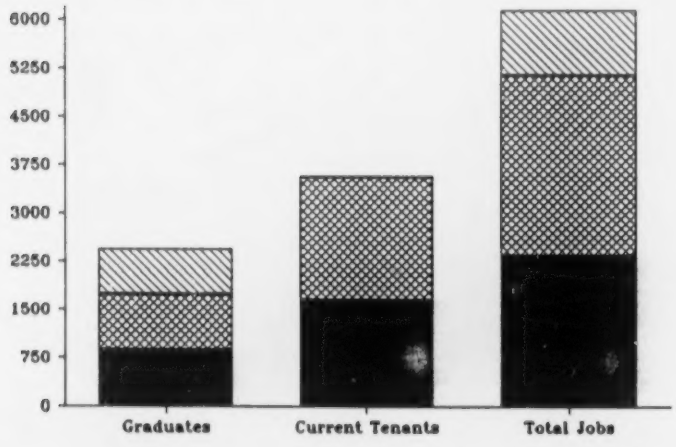
Pennsylvania currently supports 40 small business incubators, up from 27 in early 1987; 35 are located in distressed communities. The state has award over $10 million from the commonwealth's Small Business Incubator Loan and Grant program: $6 million in loans, and $4.1 million in grants. Another $6.5 million from the Ben Franklin Challenge Grant program supports the incubators.

The incubators have housed 723 firms. Of the 268 firms that have left the program, 211 (nearly 70 percent) are still in operation. The average incubator stay for successful graduates is about 23 months. Fourty-six firms went out of business during their tenancy and 11 failed after relocating. Currently, 455 tenants remain in the incubator program.

New and Former Tenants
(by calendar year)



Employment Totals: Cumulative 1983 - 1990
(by calendar year)



SOURCE: Jim Loughney, "Contribution of Pennsylvania's Small Business Incubator to Economic Development," (Harrisburg, Pa.: Department of Commerce and the Board of the Ben Franklin Partnership, October 9, 1990).

The 666 firms still in operation presently employ 6,139 people. The average number of jobs in each of these firms has more than tripled since they first located in a small business incubator. The average successful graduate entered the incubator with 3.7 employees, left with 7.6 employees, and currently has 11.4 employees.

Contact

Pennsylvania Small Business Incubator Program
Pennsylvania Department of Commerce
464 Forum Building
Harrisburg, Pennsylvania 17120
(717) 787-4147
Fax (717) 234-4560

Maryland Business Assistance Center

Reference: *The Guide* (1988), page 38
Revitalizing (1989), page 71

Program Objective

The Maryland Business Assistance Center (MBAC) was established to provide a user-friendly, flexible information and referral source for existing and prospective Maryland businesses.

Program Progression

The MBAC, begun in 1984, continues to flourish as a reference source for the many businesses in operation and those entrepreneurs who envision starting a business but lack certain technical expertise to accomplish their goal. Due to the overwhelming number of calls received through the "greenphone" call-in business assistance service, MBAC stopped advertising it; the center now depends on the service's reputation to maintain its use. This change seems to have had no negative effect; the toll-free number continues to receive nearly 10,000 calls annually.

The most dramatic change in MBAC relates to the shift toward active outreach to businesses. From simply receiving calls through the greenphone, the center now approaches manufacturing firms. Staff members initiate contact with manufacturers and other businesses, and offer the services available through state agencies, colleges, and universities. Since this change took place in 1988, the greenphone has assumed a lesser role in the activities of the staff; they now spend most of their time making business contacts. This aggressive approach has resulted in visits to 450 firms in one year (1989-1990). MBAC officials describe their role as one of increasing the viability and competitiveness of Maryland's businesses through technical assistance and counseling. Services offered to manufacturers include employee training, financing, technology assistance, quality and productivity assessments, and export promotion.

Program in Practice

Even with the shift of primary emphasis away from the toll-free greenphone, the demand for MBAC services increased in 1989. About 57 percent of the greenphone calls were inquiries about starting businesses, while the remainder involved questions on government-procurement contracts and business-finance issues.

MBAC staff members now spend most of their time with on-site visits and tours of businesses and facilities. When in the office, their primary goal is to generate new contacts with companies and offer the center's assistance. They continue to field questions that arise from the greenphone.

Contact

Maryland Business Assistance Center
Maryland Department of Economic and Employment Development
217 East Redwood Street, 10th floor
Baltimore, Maryland 21202
(301) 333-6975
In MD: 1-800-OK-GREEN
Fax (301) 333-6608

New York Center for Employee Ownership and Participation

Reference: *The Guide* (1988), page 39

Program Objective

The New York Center for Employee Ownership and Participation (NYCEOP) promotes employee ownership of businesses to enhance their competitiveness and retain jobs by coordinating state educational and outreach efforts, financial and technical assistance, and referrals to outside agencies.

Program Progression

Established in 1986 by the state Industrial Cooperation Council (ICC), NYCEOP continues to focus on shared ownership not only as a job-retention device, but also as a means of corporate finance and a route to improving productivity and profitability. NYCEOP operates with a $350,000 annual budget and a full-time staff consisting of director, a business analyst, an organizational development and training coordinator, a marketing director, and an administrative coordinator and marketing analyst. The Center retains the part-time services of a financial consultant and an attorney.

NYCEOP clients tend to be small and medium-sized businesses with long-time owners about to retire who hear about the Center through NYCEOP conferences, the media, or referrals from other agencies or consulting firms. These clients generally have service or manufacturing concerns. NYCEOP helps these business owners plan the organizational and financial aspects of the sale of all or part of their share as part of a retirement strategy, and map out a transition to employee ownership.

The Center helps the owners to determine whether employee ownership is a viable option for their companies by conducting an in-house assessment. If more information is required, the Center helps the firm obtain a feasibility study paid for by the state Job Development Authority and the Department of Economic Development. NYCEOP staff also are designing a series of workshops to help local labor unions share their experiences with employee ownership and develop collective bargaining strategies for these situations.

Once an employee ownership plan has become effective, the Center helps the firm determine its training and consulting needs and access state funding for training and participation programs, with funds provided by the state Education Department and the Department of Economic Development.

Program in Practice

As of mid-1990, NYCEOP had responded to 345 requests for information and referral and conducted 73 viability assessments and helped 11 employee-ownership conversions and one start-up involving a total of 870 jobs. The Center has developed a generic employee ownership and participation curriculum that can be customized for individual ESOP companies and trained 20 community college instructors to teach it. This curriculum consists of 51 hours of training in nine key areas of employee operation and management, including rights and responsibilities, introduction to financial statements and analysis, marketing and sales tools, participative management, and communications. To date, NYCEOP has implemented training and participation programs at ten employee-owned companies employing 1,080 workers and raised $475,000 to subsidize their costs. The companies include Atlantic Marketing Forces, a Glen Cove food broker with $50 million in annual sales; the 66-employee Pecks Food Markets based in Narrowsburg; and the Stedman Old Farm Nurseries in Buffalo.

Contact

New York Center for Employee Ownership and Participation
1515 Broadway, 53rd Floor
New York, New York 10036
(212) 930-0140
Fax (212) 930-0123

New York State Procurement Assistance Program

Reference: *The Guide* (1988), page 41

Program Objective

The Procurement Assistance Program was established to help New York businesses secure contracts and subcontracts from federal and state agencies, departments, authorities, and prime contractors.

Program Progression

The program, created by the Department of Economic Development's Division for Small Business, is designed specifically to help small businesses. Any New York business, however, may call one of the department's ten regional offices to receive information and help with government-contracting opportunities. The program has undergone few administrative changes since it began in 1980.

Program in Practice

The procurement program provides government purchasing agents with information about the production capabilities of New York State companies. About 200 such requests are handled each week. It also sponsors approximately 25 workshops and trade shows each year. These events provide New York firms with the chance to meet government buyers firsthand. Through electronic bid matching, the program regularly alerts over 500 firms to upcoming federal contracts worth more than $25,000. In 1989 program clients won $50 million in new contract awards from all levels of government. The program gives direct counseling on government bid forms and procedures to about 2,000 firms each year.

Program staff also carry out special projects and initiatives at the request of the Deputy Commissioner for Small Business and senior officials at the Department of Economic Development. One of the first involved matching bid opportunities in the New York City transit authority's capital program with state firms. This effort has resulted in the creation of over 3,000 jobs. Currently, the staff is helping state firms compete for Boeing Aircraft subcontracts, bid for Canadian federal government contracts, and help minority-owned firms take advantage of the new 5 percent goal on defense contracts, worth an estimated $8 billion annually.

Contact

Procurement Assistance Program
Division for Small Business
New York State Department of Economic Development
One Commerce Plaza
Albany, New York 12245
(518) 474-7756
Fax (518) 486-6416

Illinois Community College Board Economic Development Grants

Reference: *The Guide* (1988), page 43
Revitalizing (1989), page 115

Program Objective

The Illinois Community College Board (ICCB) provides funds to public community colleges to operate centers that provide training and services to business and industry and to promote local economic development activities.

Program Progression

Since 1983, the Illinois legislature has allocated money to ICCB for an economic development grant program, which the Board uses to promote local economic development. The $3.5 million grant in fiscal 1989 was divided among 38 community college districts according to a formula based primarily on the number of student enrollments in technical/occupational courses. Each multicampus district office has discretion to divide the grant monies among its colleges. At least $30,000 must be spent on the operation of a business center. The remaining funds can be spent on a variety of economic development activities such as contract-procurement assistance, small business incubators, customized training, and job-search assistance to unemployed persons.

Program in Practice

The ICCB estimates that grant-funded activities contributed to the development or retention of over 56,000 jobs in fiscal 1989. The legislature's $3.5 million economic development grant was supplemented by over $26 million in private-sector donations, joint efforts with other state and federal programs, and revenues from training and services. Program activities are summarized as follows.

Illinois Community College Board
Economic Development Grant Activities: Fiscal 1989

Activities	Companies Assisted	Jobs Created/ Retained
Customized job-training programs for business	1,380	4,170/18,004
Entrepreneurship/small business seminars, counseling, and management assistance	905	2,395/1,653
Contract procurement help to business	3,106	362/423
Industrial attraction, retention, and expansion	3,418	13,308/16,072
Helping small business incubators	46	101/125
Total	**8,855**	**20,336/36,277**

In Illinois, business center missions are closely aligned with and supportive of the colleges' missions. These centers reflect the local economic environment and complement existing business and economic development activities. Many of the community college business centers were involved in industrial attraction and retention, small business incubators, and technology transfer plus training services.

Contact

Economic Development Grant Program
Illinois Community College Board
509 South Sixth Street, Room 400
Springfield, Illinois 62701
(217) 785-0123
Fax (217) 524-4981

Missouri Community Betterment

Reference: *The Guide* (1988), page 45
Revitalizing (1989), page 72

Program Objective

Missouri Community Betterment (MCB) helps cities and towns organize and focus their community and economic development efforts by providing standards for evaluation and giving help and recognition to their development pursuits.

Program Progression

The program's technical assistance support remains the same. The most dramatic change in the administration of MCB stems from the dwindling state funding since 1988. Threatened with the demise of the program, officials sought to bolster state appropriations with private-sector corporate sponsorship. These sponsors, having a vested interest in the vitality of their communities, donate funds to ensure continued program activities. They provided about half the 1989 budget of $54,000. Corporations such as Southwestern Bell, Union Electric, Chase Manhattan, Hallmark Cards, and several utilities serve as sponsors of MCB activities. To allow tax incentives, MCB created a not-for-profit foundation (the MBC Educational Fund) to receive and disburse funds from the corporate sponsors.

Program in Practice

More than 500 communities have participated in MCB since it began in 1963. Over 80 communities participated in the 1989 awards competition including 54 small cities, 27 medium-sized cities, and 11 big-city neighborhoods.

Contact

Missouri Community Betterment Program
P.O. Box 118
Jefferson City, Missouri 65102
(314) 751-4849
Fax (314) 634-5472

Forward Wisconsin

Reference: *Revitalizing* (1989), page 60

Program Objective

Forward Wisconsin is a public-private partnership that seeks to attract new employers to the state and to encourage the expansion of existing businesses through informational and promotional activities.

Program Progression

The success of Forward Wisconsin has prompted officials to expand the list of industries targeted for out-of-state marketing efforts. To the original six industries identified in 1984, Forward Wisconsin has added four in which to search for business for the state: administrative centers, food processing, instrumentation, and insurance. They were selected because of their success in the state, compatibility with Wisconsin's resources, and strong growth potential. These four join continuing efforts in forest products, biotechnology and medical technology, auto suppliers, metal machinery, printing, and plastics. In 1990, program officials intend to develop a statewide network for business prospects and development leads, and expand efforts in the tourism industry.

Financial support for the program remains constant at about $1.1 million. The state appropriates $500,000; the balance is supplied by private-sector interests such as banks, utilities, insurance companies and foundations. Program officials decided to put more emphasis on establishing partnerships with other state agencies in 1990.

Program in Practice

To implement its marketing plans, Forward Wisconsin operates from offices in Milwaukee, Madison, Green Bay, and Eau Claire. Through these offices, program officials emphasize the establishment of partnerships of private organizations and public agencies interested in economic development. Recent operational statistics indicate that the 13 projects in which Forward Wisconsin was involved created 839 jobs in fiscal 1989, with another [illegible]0 jobs possible within the next three years.

Wisconsin Power and Light sought help from Forward Wisconsin to find an expansion site for Albert Trostle Packing Ltd., a plastic seal manufacturer. The firm chose Whitewater from among five locations. During the site-search process, program officials worked with the state Department of Development, the Whitewater Community Development Authority, and the Southwest Private Industry Council. In 1987, St. Croix Falls requested Forward Wisconsin assistance to land a new commercial printing operation. Program staff provided a variety of financial analysis and proposal advice and coordinated the efforts of the city, Northern States Power Company, and the West Central Wisconsin Regional Planning Commission.

Forward Wisconsin Job Generation: Fiscal 1989

Company Name	Location	First Year Jobs
Abendroth Corullo Stephenson, Inc.	Mercer	49
Albert Trostle Packing Ltd.	Whitewater	60
Ashley Furniture Industries, Inc.	Arcadia, Whitehall	400
Cera-Mite Corporation	Oconto	15
Cessna Aircraft Company	Milwaukee	60
County Quality, Inc.	St. Croix Falls	38
Douglas Hanson Company	Hammond	21
EMP, Inc.	New Berlin	30
Fairest Foods, Inc.	Baldwin	30
Four Seas, Seven Winds	Milwaukee	6
Playcon Corporation	Madison	50
Scot Forge Company	Clinton	50
U.S. Stick Corporation	Rhinelander	30

Contact

Forward Wisconsin
316 West Washington Avenue
Madison, Wisconsin 53703
(608) 256-4567
Fax (608) 256-4567

Minnesota Iron Range Resources and Rehabilitation Board
Tourism Promotion Initiatives

Reference: *Revitalizing* (1989), page 61

Program Objective

The Iron Range Resources and Rehabilitation Board (IRRRB) operates several tourism-promotion programs, including a historical center and recreational facility, to diversify the economy of rural northeast Minnesota.

Program Progression

IRRRB, a regionally based state agency, continues to offer loans, loan guarantees, interest subsidies, grants, tax-exempt bond financing, and technical assistance to counties, cities, Indian governments, business, and special-development districts comprising the Taconite Tax Relief Area in six northeastern Minnesota counties. IRRRB continues to give top priority to economic development and diversification projects.

Two new programs administered by IRRRB include the Storefront Renovation Grant Program and the Business Development Program for Municipal Buildings. The storefront program will provide nearly $900,000 to communities to help main-street businesses renovate their street-facing exteriors. The IRRRB will match every dollar raised by the community with $3 in grant funding. The program for municipal buildings will provide grants to communities to renovate municipally owned buildings for private or non-profit groups. The tenant or business using the building will repay the cost of renovation through lease or rent payments. The city may use these funds for other economic development projects.

Program in Practice

The agency has invested more than $20 million in the last six years to construct, promote, and operate two visitor attractions--Ironworld USA and Giants Ridge Recreation Area. Ironworld still features a steam railroad, a concert series at its outdoor amphitheater, ethnic days, and research center. In 1990, a children's area with a carousel and radio-operated ore and tug boats opened. For the 1991 season, Ironworld offered a new seven-station playport and food area.

IRRRB's tourism initiatives have brought substantial economic development to northeastern Minnesota. Nearly 120,000 persons visited Ironworld in 1989, spending nearly $3.9 million. In terms of payroll and purchase of goods and services, Ironworld itself contributed $1.4 million to the local economy. Officials cite another $7.5 million in related but indirect spending generated by Ironworld. In 1989 the overall impact of the complex was $12.5 million, a 19 percent increase from 1986 levels.

The success of the Giants Ridge Recreation Area and ski resort has attracted a private developer to construct new condominiums. Giants Ridge generated $8 to $9 million for the Iron Range economy; it is expected to surpass $10 million during the 1990-1991 season, as skiers come increasingly from outside the Iron Range region. Skier visits rose from 40,000 in 1984-1985 to more than 118,000 during the 1990-1991 season. Giants Ridge is continuing to attract new events and programs to the area. The resort hosted more than 30 special ski events, including the Minnesota International Classic Marathon and the Minnesota Biathlon Super Series Championships in the last winter. Giants Ridge was awarded the 1992 U.S. Nationals and Olympic tryouts in cross-country skiing and the 1992 Olympic tryouts in biathalon. It has submitted a bid for the 1992 Nordic World Cup.

Contact

Iron Range Resources and Rehabilitation Board
Highway 53 South, P.O. Box 441
Eveleth, Minnesota 55734
(218) 744-2993
Fax (218) 744-4161

"Harvesting Our Own "--Butte County, California

Reference: *Revitalizing* (1989), page 74

Program Objective

"Harvesting Our Own" is a public-private business retention and expansion program that works with small businesses on diverse investment and job--creation or retention concerns.

Program Progression

Harvesting Our Own, devised originally as a traditional business-retention initiative targeted to Chico and small communities in Butte County, California, has evolved into a sophisticated economic development program. The revised effort emphasizes the data aspects of economic development and how this information can be used to improve the business climate for specific enterprises. Program officials have structured a practical yet sophisticated database and software package that incorporates and analyzes the findings of the business-outreach surveys conducted as part of Harvesting's business-retention program. This system is called REACT--Retention and Expansion Analysis for Communities in Transition. It is operated by The Business Center, located in Chico.

REACT gives a snapshot view of the local business community. The software provides:

- a client-tracking mechanism for monitoring the progress of specific enterprises;
- statistical reports on employment, business sales, and other factors for jurisdictions to use in analyzing their local economies; and
- an automated "red flag" reporting network that identifies companies in need of assistance through triggers built into the software.

The red flag component conveys information on different types of business difficulties that could lead to a company closing or leaving the area. REACT reports on situations such as problems in securing space to expand, declining employment, lack of recent capital investment, significant increase in sales, expiring leases, or desire for export, training, or financial assistance.

Program in Practice

REACT has provided important information about local business activity in the subregions of Butte County. These data have helped local leaders identify potential problem areas and opportunities for the most effective use of other technical or financial assistance programs. In 1990, the red flag network identified several commerical businesses, service companies, and small industrial firms needing help with international trade, training, and site assistance, as well as finances. The Business Center provides appropriate information and support agency contacts to these enterprises.

Contact

"Harvesting Our Own"
The Business Center
1001 Willow Street, P.O. Box 6250
Chico, California 95927
(916) 893-8732
Fax (916) 891-3566

Alabama Prepared Cities Program

Reference: *Revitalizing* (1989), page 80

Program Objective

The Alabama Prepared City Program encourages small communities to develop the economic climate necessary to maintain and attract business and industry.

Program Progression

The Alabama Department of Economic and Community Affairs (DECA) has administered the Prepared Cities program since 1979 to encourage economic growth and industrial expansion in municipalities with populations of less than 20,000. The program has continued in its efforts to instruct small communities in strategies for attracting and preparing for industrial expansion and development. Eligibility criteria and the certification process remain essentially the same.

Program in Practice

According to Alabama economic development officials, the small towns participating in the Prepared City Program are successful in working with new industries to establish operations in their areas and in helping existing firms to expand their production. As indicated below, a growing number of jobs are staying or locating in Prepared Cities.

Jobs From New or Expanded Companies Attributable to the Prepared Cities Program: 1984-1989

Year	Jobs from New Companies (number)	(percent)	Expanded Companies (number)	(percent)	Number of Prepared Cities
1984	1,243	21.55	1,331	9.37	28
1985	313	8.89	1,652	14.82	32
1986	1,722	26.00	1,723	18.95	36
1987	776	14.31	1,741	12.28	41
1988	1,160	15.88	3,409	16.61	38
1989	2,595	30.54	3,791	19.16	41
Six-year total	**7,809**		**13,647**		

Contact

Alabama Prepared Cities Program
Department of Economic and Community Affairs
3465 Norman Bridge Road, P.O. Box 250347
Montgomery, Alabama 36125-0347
(205) 284-8630
Fax (205) 284-8630

Kansas PRIDE Program

Reference: *Revitalizing* (1989), page 100

Program Objective

The Kansas PRIDE Program is a joint state-community effort to provide small cities and rural towns with community development, education, and technical assistance to help them improve their economic and social environments.

Program Progression

Combining the efforts of companies, institutions, and public and private organizations to increase citizen involvement in community betterment, the PRIDE program continues to tap local activists and volunteers to design and complete programs that build community resources and diversify the local economy. The program was not modified substantially during 1989.

Program in Practice

In 1989, enrollment in the PRIDE program grew from 87 to 93. These communities carried out 2,063 projects. Recent examples of achievement include the community of Potwin where the citizens completed work on a lighted sports field and a small community theater. Their PRIDE committee also won recognition for working closely with other communities to organize and participate in the PRIDE process.

Another award-winning community in 1989 was the town of Formoso. The PRIDE committee there led the renovation of a room dedicated to Formoso history in an unused city building and the expansion of the senior/community center.

1989 Community Achievement Cash Awards: Towns Winning First Prize

Town	Population	PRIDE Focus
Formoso	166	Targeted community development program
Potwin	563	Targeted community development program
Lyndon	1,132	Community development outreach
WaKeeney	2,388	Promotional community development
Fort Scott	8,893	Community development participation

Contact

Kansas PRIDE
Cooperative Extension Service
Kansas State University
Umberger Hall, Room 115
Manhattan, Kansas 66506
(913) 532-5840

Colorado Initiatives Program

Reference: *Revitalizing* (1989), page 106

Program Objective

The Colorado Initiatives Program (CIP) is a public-private partnership that provides rural areas with financial and technical assistance to conduct community development projects.

Program Progression

The program remains essentially unchanged since it began in 1985. The Colorado Department of Local Affairs, U.S. West Corporation, the University of Colorado, and Colorado State University continue their collaborative effort to provide assistance to ten communities that the CIP review panel selects each year. The panel continues to emphasize community need and local commitment when examining applications. Each community in the program now receives initial concentrated technical assistance valued at $5,000.

Program in Practice

In 1990, CIP supported a variety of projects, including the rebuilding of Fort Lupton in South Platte Valley with a visitors center and museum, construction of a scaled replica of an underground hard rock mine in the National Mining Museum in Leadville, and restoration of a caboose in downtown Westcliffe to serve as a visitor's center for the historic railroad district. The ten approved projects for 1991 are described as follows.

Town	CIP Project
Bayfield	Renovate park facilities, add visitor's center, help with community development marketing plan.
Craig	Develop nonprofit cultural center providing studio space, art and business classes, exhibition gallery, and commercial space.
Dove Creek	Develop a bike-trails network and an archeological site.
Garfield	Help a volunteer board define an airport-development strategy and the best use of the facility.
Idaho Springs	Develop park facilities and a museum.
Montrose	Develop a capital-improvements plan and operating policies for the county fairgrounds.
Pagosa Springs	Develop multipurpose trail network and improve access to local nature park.
Silt	Design a tourist brochure, design Main Street beautification plan, and conduct a survey to improve tourism.
Silverton	Study and plan a proposal to improve the business area.
Steamboat Springs	Help renovate and promote the historic Royal Hotel.

Contact

Colorado Initiatives Program
Colorado Department of Local Affairs
1313 Sherman Street #518
Denver, Colorado 80203
(303) 866-4819
Fax (303) 866-2251

South Dakota GOLD

Reference: *Revitalizing* (1989), page 130

Program Objective

The South Dakota Guide to Opportunities for Local Development (GOLD) program provides a framework for communities to develop comprehensive economic development and diversification plans to stabilize and expand their economic bases.

Program Progression

The Governor's Office of Economic Development continues to oversee the GOLD program and sets the requirements applicants must meet to become GOLD communities. GOLD communities develop programs tailored to their individual needs through a four-step sequence that entails identifying a development organization to lead the effort, analyzing community assets and liabilities, setting goals, and establishing community priorities. The most common goals continue to be infrastructure services, job creation, and main-street business improvements. Since the program began in 1989, all communities receiving GOLD status have been small towns with fewer than 12,000 residents; more than 80 percent have fewer than 2,000 persons. Road signs are placed at the entrance to each town to identify them as GOLD communities.

Program in Practice

The governor designated 21 new GOLD communities in 1990, raising the total to 46; designations in 1991 probably will raise the total to 72. Program officials estimate that 23 percent of the state's towns will have completed the four-step process in 1991, with as high as 30 percent completing in 1992, the third full year of program operation.

Program officials point to an additional benefit from the GOLD program--the desire of participating communities to create a formal network to exchange economic development-related information. They noted that the GOLD process has helped towns overcome barriers that would have dampened community networking in the past. In 1991 the state plans to launch a formal GOLD network to foster inter-community communication and cooperation.

Contact

South Dakota GOLD Program
Governor's Office of Economic Development
711 Wells Avenue, Capitol Lake Plaza
Pierre, South Dakota 57501
(605) 773-5032
Fax (605) 773-3256

2. Finance Case Studies

Economic development projects must locate affordable capital if they are to achieve their full potential. Although capital is available nationally, many businesses face significant problems in securing capital at manageable interest rates for long-term investments in plant and equipment and short-term inventory finance. According to a recent lender survey conducted by the Federal Reserve Bank, industrial and commercial firms are finding credit harder to get and more costly as bankers continue to tighten their lending standards.[1] Typically, large private institutions restrict lending to low-risk propositions, favoring the security of investment over the potential of great return. Companies located in distressed areas, often the only place that an entrepreneur can afford to locate during the formative stages of business development, thus face additional hurdles in the money markets.

Development in rural areas is constrained by another set of financing obstacles. According to the Federal Reserve Bank of Kansas City, rural financial markets have changed considerably since 1980, with a dramatic change occurring in the levels of lending. For several reasons, the number and amount of rural bank loans grew much more slowly after the 1970s and at a much lower pace than those made by urban banks.[2] Aside from physical isolation, inhibiting factors for rural banks include transaction costs and limited staff skill in loan analysis. Many small town lenders are reluctant to lend to emerging companies, especially new or high-technology operations, because they are unfamiliar with the product or industry and uncomfortable evaluating risk/return factors on such projects.

Consequently, financial support often is the critical missing piece of the economic development puzzle, especially in business and commercial districts outside the central city. Constitutional and statutory restrictions in some states limit the types of programs they can sponsor. Such restrictions also can affect local governments and quasi-public development organizations. All states, however, offer creative and increasingly sophisticated financial assistance to promote business and community-development activities. They are structuring programs to meet a variety of fixed-asset and working-capital needs and investing in start-ups as well as in existing firms.

As their financial-assistance programs evolve, many states are starting to address the problem of capital availability as well as its cost. As a result, some states are providing equity financing to encourage new or additional business activity plus low-interest direct loans or rate-reducing guarantees of private-sector loans. In a 1987 study, the Economic Policy Institute noted that "this strategy of filling capital gaps encourages new players to enter the game, rather than merely subsidizing those who are already playing. In particular, it improves the odds for new and small firms--precisely the kind that make bankers nervous."[3] While nurturing new business development often is regarded as risky, states have discovered that they can play an acceptably safe (and even profitable) role in this process by using public funds to stimulate private enterprise. The state role in providing start-up venture capital has become more important with declining participation by private investors in venture funds. Venture capitalists, who raised $4.2 billion in 1987, managed to raise only $2.6 billion in 1989. Fund managers anticipate little improvement in the 1990s as

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[1]John M. Berry, "Lending Standards Still Being Tightened by Banks," *Washington Post*, February 8, 1991, p. C1-2.

[2]Charles Morris and Mark Drabenstott, " Financing Rural Businesses: What Role for Public Policy?" *Federal Reserve Bank of Kansas City Economic Review*, September/October 1989, p. 31.

[3]David Osborne, *Economic Competitiveness: The States Take the Lead* (Washington, D.C.: Economic Policy Institute, 1987), p. 61.

corporations and institutional investors focus on up-and-running operations rather than nascent enterprises.[4]

State-assisted business-finance efforts occupy an increasingly prominent place in local economic development strategies because of the shrinkage in federal resources. The 1987 reductions in permitted levels of tax-exempt bonds and eligible IDB activities had an adverse effect on most states. They have devised mechanisms to replace lost federal development grants, loans, and other assistance. Although tremendously varied, most state programs fall into six categories.

Financial-assistance grants are offered by 45 states, usually to local governments or nonprofit organizations such as local development corporations. Usually they are "deal clinchers" made in response to specific business-development situations.

Direct lending, often through a revolving-loan fund mechanism, is used frequently in conjunction with local governments, development corporations, or community-based nonprofit organizations. According to Institute research, 42 states have loan programs that help small businesses with capital needs, 32 provide loans to help finance buildings, and 34 offer loans for equipment and machinery.

Loan guarantees are made by 22 states in a variety of ways.

Equity-financing programs exist in several states. The more widely used are venture capital programs (in 25 states). Pension fund initiatives (12 states) usually are offered through separate agencies or entities. Thirty states have chartered development credit corporations. Most are relatively new--only three pre-date 1979.

Capital-attraction strategies are very common. Most states leverage or link specific programs to private financial participation or federal development efforts.

Loan-packaging services are provided by nearly every state. Usually they include liaison with private financing institutions and public or private technical assistance.

Some of these programs promote high-technology or high-growth industries. Others are designed to shore up existing sectors, such as manufacturing, that will continue to play an important economic role at the regional, city, or neighborhood level. All such programs can provide a path to state and local economic diversity and lead to a more favorable climate in which entrepreneurship can flourish. This activity makes possible, for example, the introduction of new products and new services to strengthen the local economic base and build on other innovations. Business-finance programs often provide the capital resources necessary to develop and test new products in the marketplace, which leads to increased economic activity. Many programs focus on small businesses. Taking a cue from the successful federal Urban Development Action Grants program, more and more state offerings are structured to leverage private investment capital.

Ohio Withrow Plan of Linked Deposits

Reference: *The Guide* (1988), page 65

[4]Andrea Gabor, "The Venture Capital Vacuum," *U.S. News and World Report*, March 5, 1990, p. 59.

Program Objective

The Withrow Plan of Linked Deposits offers an incentive to Ohio financial institutions to make reduced-rate loans to small businesses in exchange for paying a lower interest rate on some invested state funds.

Program Progression

The Ohio legislature enacted the Withrow Plan in 1983 and modified it slightly in 1985. The program continues to place up to 12 percent of the state's investment portfolio in certificates of deposit earning interest at rates as much as 3 percent below current market levels. In return, Ohio financial institutions holding these certificates lend amounts equivalent to their value at rates 3 percent below the prevailing rate.

Program in Practice

The Withrow Plan of Linked Deposits has been effective in creating and retaining jobs and helping small businesses in all areas of the state. According to program officials, program loans had created or saved over 20,000 jobs as of mid-1990. A total of 1,486 small businesses were approved for linked-deposit assistance, more than 40 percent of these in the last three years. The Withrow Plan has helped businesses from sole proprietors to small manufacturing firms providing a wide variety of goods and services from bicycle seats to daycare centers. All of Ohio's 88 counties have received Withrow assistance.

Contact

Ohio Withrow Plan of Linked Deposits
Treasurer of the State of Ohio
State Office Tower, 9th Floor
30 East Broad Street
Columbus, Ohio 43215
(614) 466-8855
Fax (614) 752-8972

Massachusetts Industrial Finance Agency
Taxable Industrial Development Bond Program

Reference: *The Guide* (1988), page 70

Program Objective

The Massachusetts Industrial Finance Agency (MIFA) taxable industrial development bond (IDB) initiative offers a flexible program structure to provide an alternative source of low-cost capital to meet specific business needs.

Program Progression

MIFA's taxable IDB program, developed in response to the federal 1986 tax overhaul that restricted traditional tax-exempt IDB financing for economic development purposes, continues to complement tax-exempt IDBs. The structure and execution of the program has not changed significantly. MIFA

issues taxable bonds generally backed by letters of credit and sold in the public or private credit markets. MIFA's bonds are supported by the revenues of the project and the borrower; the agency receives no state funds. Taxable IDBs are used to finance fixed assets for a broad range of commercial and industrial projects.

Program in Practice

A $6.7 million taxable bond issued for Hospitals Laundry Association allowed the cooperative venture of 23 Boston-area hospitals to move from a converted garage beneath Fenway Park, its home for 27 years, into a larger and more cost effective state-of-the-art facility in Dorchester.

Substantial taxable bonds were structured for the Massachusetts Biotechnology Research Park in Worcester. MIFA financed Biotech I with a $15.7 million taxable bond that was sold in a direct placement to the Massachusetts Pension Reserve Investment Management Trust. Biotech II, a $12.5 million project, was financed with a taxable bond also sold privately to the MBTA Pension Fund and two insurance companies.

MIFA taxable bond activity in fiscal 1990 is highlighted on the following table. The five projects will create an estimated 220 jobs.

MIFA Taxable Industrial Development Bonds: Fiscal 1990

Company	Location	Bond Amount	Board Approval
Massachusetts Biomedical Research Corporation	Boston	87,000,000	8/89
Boston University	Boston	39,300,000	9/89
Vicon Recovery Associates	Pittsfield IDFA	855,000	12/89
Metal Service Center	Easton	418,000	12/89
Biotechnology Research Park	Worcester	12,500,000	04/90

Contact

Massachusetts Industrial Finance Agency
400 Atlantic Avenue
Boston, Massachusetts 02110
(617) 451-2477
Fax (617) 451-3429

Connecticut Innovations, Inc.

(Formerly Connecticut Product Development Corporation)

Reference: *The Guide* (1988), page 72

Program Objective

Connecticut Innovations, Inc. (CII) offers risk capital and low-cost loans for product development and marketing, which helps state companies to expand, and diversify, as well as preserve and create employment.

Program Progression

CII is a quasi-public, nonprofit agency chartered by the state legislature in October 1989 as the successor to the Connecticut Product Development Corporation (CPDC), first chartered in 1972. CII aims to develop innovative approaches to technology transfer as part of the state's objective of lowering its dependence on defense contractors. It has developed a broad offering of small and large economic development programs. CII's board of directors appoints an 11-member committee that rules on applications for funding. Originally supported by the proceeds of a $6 million state general bond issue, CPDC and now CII funding has grown to $34 million. Over the years, the two organizations have put $17 million into a risk-capital program for product development and $12 million into a working-capital loan program; it also invested $5 million in the Connecticut Seed Venture Fund. The fund, a privately operated public-private limited partnership capitalized at $11 million, makes investments ranging from $50,000 to $500,000 in developing Connecticut companies. Currently, income from prior program investments covers CII operating expenses.

CII expanded recently and now offers four programs:

- risk-capital investments in new products process, and service development;
- working-capital loans (formerly innovation development loans) for marketing of new products processes and services;
- bridge grants to high-tech-oriented companies that have received federal Small Business Innovation Research (SBIR) support grants; and
- limited financial support for patent applications.

Risk capital awards range from $40,000 to $1 million, and average about $500,000 each. The bridge grant program, a new addition to CII, offers up to $20,000 to companies that have completed phase I federal SBIR feasibilities studies and have applied for phase II R&D financing. This sum enables companies to continue their projects without interruption while the federal funding is awaited. CII awards these bridge grants and limits them to companies it believes will receive phase II funding and will proceed to commercialization.

In a newly organized and still experimental program, CII offers limited support of up to $5,000 for patent feasibility studies and patent applications. Initially, this program is limited to the academic community. The recipient will refund CII's investment when its technology is licensed and pay a sum equal to the investment from royalty income if the license is granted to a Connecticut company. If the technology is licensed out of state, the additional sum will be twice the amount invested by CII.

Program in Practice

Between 1972 and mid-1990, the risk-capital financing program of CII and its predecessor invested $23.2 million in 96 projects with 81 companies. Royalty income has totaled $5.1 million. Conservative estimates of jobs created or retained exceed 1,500. Even with careful screening, program officials expect about a one-third failure rate. To date, these losses have been more than covered by the successful one-third and the balance that break even. The working-capital loan program has advanced $13.5 million to 71 companies since 1984. Thirteen of those loans have been repaid in full, with only two defaults to date.

Contact

Connecticut Innovations, Inc.
845 Brook Street
Rocky Hill, Connecticut 06067
(203) 258-4305
Fax (203) 563-4877

New Jersey Local Development Financing Fund

Reference: *The Guide* (1988), page 74

Program Objective

The New Jersey Local Development Financing Fund (LDFF) encourages economic enterprise in urban areas by providing financial help to commercial and industrial projects in eligible distressed municipalities.

Program Progression

LDFF has remained essentially unchanged since its creation in 1983. The program provides matching loans to businesses in older communities where sufficient financing has been difficult to obtain. All loans are disbursed through the sponsoring public entity and repaid directly to LDFF by the business to replenish the revolving loan fund. A minimum one-to-one public-to-private investment ratio is required.

Program in Practice

LDFF continues to generate private investment and create jobs. As of the end of 1989, it had given or committed over $44 million in financial assistance to 99 businesses, up from $27 million in assistance for 60 businesses as of mid-1987. LDFF leveraged over $170 million from the private sector, nearly a $50 million increase from mid-1987. These combined public and private investments helped create or retain more than 6,200 New Jersey jobs.

Local Development Financing Fund
Projects: Loans Closed From 1985 to 1990

Year	Number of Projects	LDFF Authority	Private Sector Loans	Public Sector Loans	Equity	Jobs Created/ Retained
		(in dollars)				
1985	5	3,175,000	9,375,000	1,500,000	3,043,900	695
1986	15	6,331,500	14,898,687	960,000	5,597,927	793
1987	19	8,725,587	22,538,300	402,000	13,241,845	1,857
1988	18	6,873,167	25,596,048	270,000	3,942,271	1,297
1989	22	9,953,580	64,179,000	3,075,000	9,105,126	1,576

Contact

New Jersey Local Development Financing Fund
New Jersey Economic Development Authority
CN 990
Trenton, New Jersey 08625
(609) 292-1800
Fax (609) 292-0368

Maryland Small Business Development Finance Authority Surety Bond Guaranty Program

Reference: *The Guide* (1988), page 75

Program Objective

The Surety Bond Guaranty Program, sponsored by the Maryland Small Business Development Finance Authority (MSBDFA), helps small businesses win bids on government and other contracts by guaranteeing the surety bonds required of bidders.

Program Progression

Eligibility requirements and administration has not changed significantly since the program began in 1983. MSBDFA continues to guarantee reimbursement to a surety for up to 90 percent of losses resulting from a contractor's failure to live up to the terms of a guarantee bid, payment bond, performance bond, and other bonds. The bond guaranty program continues to focus on small businesses owned by socially and economically disadvantaged persons, who otherwise might not meet the surety's normal bonding requirements or be able to afford its cost.

Program in Practice

Since 1983 the program has issued 21 guarantees totaling $5.6 million. Recently, E&S Recreation Inc. received a guarantee to cover a $75,000 performance bond and a $37,000 payment bond to design, furnish, and install playground equipment at the Social Security Administration offices in Woodlawn and downtown Baltimore. Maryland Paving and Sealant Company received a $200,000 performance bond and a $200,000 payment-bond guarantee for asphalt repair work for the Maryland National Capital Parks and Planning Commission. This guarantee created or retained a total of 37 jobs.

Contact

Maryland Small Business Development Finance Authority
World Trade Center
401 East Pratt Street, Suite 700
Baltimore, Maryland 21202
(301) 333-4270
Fax (301) 333-6931

Colorado Quality Investment Capital (QIC) Program

Reference: *The Guide* (1988), page 77

Program Objective

By purchasing loans guaranteed by the U.S. Small Business Administration (SBA), the Quality Investment Capital (QIC) Program provides a mechanism by which Colorado lenders can provide long-term, fixed-interest-rate loans to small businesses.

Program Progression

This program has remained essentially the same since its inception in 1984. Participating businesses must continue to meet the requirements of SBA's Section 7(a) loan-guarantee program. The Colorado Housing and Finance Authority funds this program by selling bonds to pension funds. The bonds are secured by the guaranteed portion of the loans purchased under the program. Because the entire amount purchased by QIC is guaranteed by the SBA, none of the investors' money is at risk. QIC's loan ceiling has increased, matching higher SBA loan limits. QIC can loan up to $882,350 with a top SBA guarantee of $750,000.

Program in Practice

In its five years of operation, the QIC program has lent $28 million, helping more than 189 small businesses with an average of $150,000 per firm. Program officials estimate that these investments have created 540 jobs and retained 1,398 more. Most loans have gone to retail and service businesses including auto body shops and small franchises.

Contact

Colorado Quality Investment Capital Program
Colorado Housing and Finance Authority
1981 Blake Street
Denver, Colorado 80202-1272
1-800-877-2432 (Colorado only)
(303) 297-7329
Fax (303) 297-2615

New York Regional Economic Development Partnership Program

Reference: *The Guide* (1988), page 78

Program Objective

The Regional Economic Development Partnership Program (REDPP) provides financial assistance to New York business projects that generate substantial employment and/or foster economic growth.

Program Progression

Established in 1985, REDPP is administered by the state's Urban Development Corporation (UDC) and works through ten regional offices of the state Department of Economic Development. It continues to finance business development, business infrastructure, and economic development support-service projects. In 1990, the legislature added a fourth category, child-care assistance projects.

Program administration and structure have remained essentially the same. Business-development loans can fund up to one-third of project costs and may be used for construction or expansion of facilities, purchase of equipment and machinery, or working capital. Business-development project grants are limited to interest subsidies or studies of the feasibility of transferring ownership of a job-intensive eligible company to a local interest. Business infrastructure loans and grants are available for projects essential to the development of an eligible business or located within a state-defined economic development zone. REDPP will fund up to 49 percent of total costs for infrastructure projects. Grant-support limits for any project were raised from 20 to 40 percent recently.

Economic development assistance grants are still available for strategic planning, targeted development, and employment training. Targeted development monies may be used for programs that address an economic development need, issue, or problem of two or more counties within the region. Employment-training help may still go directly to companies, but it must by matched by 51 percent funding from other public or private sources. In addition, grants are available for feasibility studies to determine the advantages of infrastructure and/or business development and to attract eligible companies to a facility or site. Loans and/or grants are now available to establish or expand a child-care facility that involve one or more sponsoring companies.

Program in Practice

From the beginning of the program until mid-1990, program officials have approved nearly 300 projects totaling more than $47 million. They have revised the review process, increasing the number of cycles per year from three to four. As a result, during fiscal 1989-1990 (the first year with four cycles) REDPP approved 78 projects for more than $12 million. The 1990-1991 budget includes a special allocation that will allow REDPP to fund up to $1 million in child-care assistance in this fiscal year.

Approved Regional Economic Development Partnership Projects by Region: Fiscal 1989 - Fiscal 1990
(in dollars)

Region	Grant	Loan	Grant and Loan Total
Capital	655,316	1,817,540	2,472,856
Central New York	1,206,997	1,127,160	2,334,157
Finger Lakes	779,331	876,864	1,656,195
Long Island	1,013,771	101,100	1,114,871
Mid-Hudson	345,793	0	345,793
Mohawk Valley	1,234,841	2,413,868	3,648,707
New York City	1,911,949	625,000	2,536,941
North County	1,306,242	1,113,898	2,420,150
Southern Tier	1,926,986	3,510,792	5,437,778
Western New York	9,721,482	5,425,895	15,147,377
Total REDPP Fund	**20,102,708**	**17,012,117**	**37,114,825**
Cumulative Category Total	**20,102,708**	**17,012,117**	**37,114,825**

Contact

New York Regional Economic Development Partnership Program
New York State Urban Development Corporation
1515 Broadway
New York, New York 10036-8960
(212) 930-0297
Fax (212) 930-0122

Massachusetts Industrial Services Program
(formerly Massachusetts Economic Stabilization Trust)

Reference: *The Guide* (1988), page 81

Program Objective

The Industrial Services Program (ISP) provides consulting and flexible financing to troubled but viable firms in mature industries and helps laid-off workers when a plant closing cannot be prevented.

Program Progression

The Industrial Services Program is a quasi-public agency created by the Massachusetts legislature in 1984 to address two major economic problems: industrial competitiveness and manufacturing job loss. The ISP makes loans with higher risk factors than conventional lending institutions. These investments then help leverage other financing by creating more attractive and secure deals. The ISP also helps businesses find alternative financial assistance even in cases where the ISP cannot provide direct help. Basic business eligibility criteria and program-financing activities remain the same.

The ISP's preventive strategies focus on supporting the competitive position of manufacturing companies by helping them improve business planning, marketing, production management, and financial position. The Economic Stabilization Trust (EST) Fund, established along with the ISP through a provision of the Mature Industries Act of 1984, contributes by providing management and financial consulting, high-risk loans, and equity investments from a state-funded capital pool. The ISP continues to use the EST when companies fail to secure sufficient financing from other lending institutions. The ISP can help with various forms of debt and equity financing, with the types and terms based on the needs of the firm and the requirements of other investors participating in the financing package.

The ISP also addresses the problem of manufacturing job loss by establishing and funding statewide Worker Assistance Centers that provide reemployment and training assistance. The centers require maximum participation by labor and management in their design, staffing, and funding. These free-standing, multi-service centers are run by local people and feature heavy union/labor involvement in the staffing, which ensures workforce ownership and use. Most centers stay open 12 to 18 months.

Program in Practice

The ISP is funded through annual allocations from the state's general fund. Although the EST has not received capital since 1987, the trust fund sustains itself through its revolving loans. A strong point of the ISP is still its experienced business and financial-consulting staff drawn from the private sector. Staff members are all experienced in manufacturing and banking and bring considerable private-sector expertise to the program. Since June 1985, when the ISP began operation, 390 businesses with over 16,000

employees have received consulting help. The ISP has provided $7.8 million in direct loans, guarantees, and investments, which has leveraged $78.2 million in other investment.

Since 1984 the ISP has established 70 Worker Assistance Centers and helped over 34,000 unemployed workers. On average, 80 percent of those who complete programs are placed in new jobs paying 92 percent of their previous wage. The ISP currently funds 18 centers.

Contact

Industrial Services Program
One Ashburton Place, Room 1413
Boston, Massachusetts 02108
(617) 727-8158
Fax (617) 367-0211

Maine Secondary Market Taxable Bond Program

Reference: *The Guide* (1988), page 83

Program Objective

The Secondary Market Taxable bond program (SMART) and Secondary Market Tax-Exempt bond program (SMART-E), both within the Finance Authority of Maine (FAME), issue taxable and tax-exempt bonds to provide variable or fixed-rate loans to businesses.

Program Progression

The program began in July 1986 after a survey indicated that businesses needed cost certainty provided by long-term, fixed-rate financing. Under the SMART program FAME continues first to guarantee loans granted to businesses by private lenders then purchases the loans. This program has not been modified significantly during its four-year life.

Program in Practice

Since 1986, FAME has issued six SMART-E bonds for over $38 million on behalf of 27 Maine businesses. The amount of the individual loans ranged from $250,000 to $6.5 million. Business activity generated by these loans led to the retention of 376 jobs and the creation of 52.

Contact

Maine Secondary Market Taxable Bond Program
Finance Authority of Maine
83 Western Avenue, Box 949
Augusta, Maine 04330
(207) 623-3263
Fax (207) 623-0095

Ag Fund of Wyoming

Reference: *The Guide* (1988), page 84

Program Objective

The Ag Fund of Wyoming provides low-interest working capital and fixed-asset fina ıg to the state's farmers and ranchers by purchasing loans guaranteed by the federal Farmers Home Ad. ıistration.

Program Progression

Begun in 1985 by the Wyoming State Treasurer, this program has not been modified substantially. The state's investment statute, with a legislative mandate to invest the state's money securely, allows the treasurer to invest in securities guaranteed by the federal government, including loans guaranteed by the Farmers Home Administration (FmHA). Ag.Fund investments purchase the guaranteed portion of FmHA loans.

Program in Practice

The fund has made nine new loan commitments totaling $1,718,000 since 1988. In five years of program operation, the balance of purchased loans has reached $9,658,000.

Contact

Ag Fund of Wyoming
State Treasurer's Office
State Capitol Building
Cheyenne, Wyoming 82002
(307) 777-7408
Fax (307) 777-5411

New Mexico Entrepreneurial Capital Program
(formerly reported as NM Seed Capital Program)

Reference: *The Guide* (1988), page 85

Program Objective

The New Mexico Entrepreneurial Capital Program provides research and development seed capital to entrepreneurs engaged in product-development efforts with the goal of creating new employment opportunities and increasing advanced-technology-based economic activities in the state.

Program Progression

The capital program provides research and development contracts averaging $150,000 to accelerate the growth of technology-based start-up or small companies. Proposals for contracts are evaluated on technical merit, innovative design, qualifications of the project team, potential for business and employment

opportunities, and the leveraging of private capital. All contract recipients are now required to garner $5 from outside sources for every $1 of program capital; at least three-fifths of the outside financing must be in direct financial support.

In 1990 awards of about $1.7 million were divided between the entrepreneurial program and the applied research program, which seeks to develop alliances among the private sector, state entities, educational institutions, and federal programs.

Program in Practice

In the first five years of the program, funding went solely to energy-related advanced-technology research and development. In 1986 other areas of industry became eligible for funds. Since 1981, 24 companies have received $5.5 million in seed capital, which leveraged $18 million. The benefits to the state include new jobs, expanded economic activity, diversification of the tax base, new capital investment, and higher revenue.

A survey of 18 of 24 companies produced the following results. As of mid-1989, these companies had created 90 new jobs, annual payroll had risen from $2.1 million to $4.3 million, and annual gross sales had grown from $3.1 million to $8.5 million. New Mexico business taxes paid annually by these firms had grown more than three-fold. Three of the 24 companies received more than one contract award for separate technology developments.

Entrepreneurial Capital Program Investments: 1981-1990

Industry Type	Number of Companies
Energy-related development	
instrumentation	3
conversion	2
resource technology	3
air-conditioning components	1
plate glass (solar use)	1
Software development	2
Transportation-aircraft (instrumentation, subcomponents)	2
Medical (biomedical, medical waste)	3
Defense-related electronics	1

Contact

New Mexico Entrepreneurial Capital Program
New Mexico Research and Development Institute
Pinon Building
1220 South St. Francis Drive, Suite 358
Santa Fe, New Mexico 87501
(505) 827-5886
Fax (505) 827-5850

Michigan Strategic Fund

Reference: *The Guide* (1988), page 86

Program Objective

The Michigan Strategic Fund (MSF) encompasses a diverse package of mechanisms that increase access to capital for small businesses and entrepreneurs.

Program Progression

Launched in late 1985, the legislature appropriated MSF's initial capital from the state's $20 million annual revenues from the oil and gas trust fund. Designed to augment the private-sector capacity to meet the financing needs of small and medium-sized Michigan businesses, MSF continues to use three programs: the Capital Access Program, the Business Industrial Development Corporations (BIDCOs) program, and the Seed Capital Program.

MSF administration has remained largely unchanged. However, some financial requirements of the three programs have changed slightly. Along with technical assistance to help set up a corporation, MSF may now supply up to $3 million (up from $2 million) to a BIDCO to boost private investments. The MSF equity must be matched 1.5 to 1 by private equity (formerly the match was 2 to 1). Accepted applicants to the Seed Capital Program may now receive a maximum of $4.4 million from MSF (up from $2 million) to set up a fund that must be met by at least $2.2 million in private funds (formerly $1 million). MSF now contributes $1 to a loan-loss reserve for every $18, rather than $17, loaned by the banks under the Capital Access Program.

Program in Practice

In its five-year existence, MSF has made some significant strides. It helped launch three privately managed seed-capital funds with $4 to $6 million in private equity and $9.8 million in MSF funds. Five private BIDCOs were organized, raising $19 million in private equity to match $9.5 million in MSF resources. Over the next decade, these corporations are expected to provide more than $265 million in hard-to-get business financing. One minority BIDCO has started with $6.6 million in funds available for investment; two other minority BIDCOs are in the formative stages.

As of mid-1990, the Capital Access Program had brought $37 million to 681 companies that would not have qualified otherwise. Four more Michigan banks have signed up to participate in the program since mid-1987, bringing the total to 54. MSF had lent $6 million to 21 minority-owned businesses as of 1990, eclipsing the $1.2 million to seven such businesses as of 1988; these loans leveraged more than $35 million in private financing, $31 million more than 1988. MSF also issued over $1.2 billion in below-market-rate, long-term privately purchased bonds to help 350 companies, compared with $470 million to 120 companies as of 1988.

Contact

Michigan Strategic Fund
Law Building, 3rd Floor
525 Ottawa Street
Lansing, Michigan 48933
(517) 373-7550
Fax (517) 335-3059

Iowa Community Economic Betterment Account

Reference: *The Guide* (1988), page 88
Revitalizing (1989), page 49

Program Objective

The Community Economic Betterment Account (CEBA) provides financial help to new or expanding businesses creating new jobs in Iowa or retaining jobs at risk.

Program Progression

Established as part of the "Iowa Plan" that administers state lottery proceeds, CEBA continues to provide grants, loans, or interest-rate reductions to businesses and industries through cities, counties, or merged area schools applying on their behalf. The program's emphasis on quality of jobs and diversification of the state's economy has increased since it began in 1986.

Program in Practice

As of April 1990, CEBA had received 502 applications and approved 243. It has awarded over $31.5 million, leveraging $853 million in private investment and other resources. Of the 243 CEBA-funded projects, 72 involved grants totaling over $10 million, seven included interest-rate buydowns totaling almost $835,000, and 164 involved loans, both standard and forgivable, totaling over $20.6 million. Forgivable loans are available if the recipient pledges to create a certain number of new jobs with the funds. A percentage of the loan, equivalent to the percentage of pledged jobs actually attained, is forgiven. Overall, CEBA awards ranged from $15,000 to $1 million, with an average of $135,000. The awards were made as follows:

- 158 awards (65 percent) were made to Iowa companies to help them expand;
- 45 awards (19 percent) were made to start-up businesses; and
- 40 awards (16 percent) were made to companies recruited from outside Iowa.

Projects funded to date have pledged to create or retain 21,789 jobs within two years of the award. The average CEBA assistance per job has been approximately $1,500.

CEBA Awards through April 1990

Wage Scale	Jobs Created/Projects Assisted
3.00-4.99/hour	1,432 (06.6 percent)
5.00-6.99/hour	5,489 (25.2 percent)
7.00-8.99/hour	6,778 (31.1 percent)
9.00-0.99/hour	3,333 (15.3 percent)
11.00+/hour	4,757 (21.8 percent)
Total	21,789

Contact

Community Economic Betterment Account
Iowa Department of Economic Development
Division of Financial Assistance
200 East Grand Avenue
Des Moines, Iowa 50309
(515) 281-3746
Fax (515) 281-4085

New York Rural Development Loan Fund

Reference: *Revitalizing* (1989), page 31

Program Objective

The New York Rural Development Loan Fund (RDLF) provides low-cost financing to help small businesses and promote economic expansion in rural areas.

Program Progression

Established in 1983 with an initial capitalization level of $800,000, RDLF has continued to target firms creating private-sector jobs in distressed rural areas and small communities with populations of 25,000 or less. The program, still operated by the Job Development Authority (JDA), has undergone virtually no structural or administrative changes.

Program in Practice

As of the end of fiscal 1990, RDLF had approved loans totaling over $2 million, compared to $1.4 million as of mid-1988. Loans made in fiscal 1989 alone totaled $274,000; fiscal 1990 loans totaled nearly $330,000.

The more targeted RDLF loans often are combined with general JDA loans or loan-guarantees to help projects with financing needs that exceed the RDLF $50,000 loan limit. MacKenzie Chiids, Ltd., a ceramics design and manufacturing studio in Aurora, has received $194,000 since April 1987 in JDA direct and RDLF loans, which helped create 40 new jobs in Cayuga County. National Door Company, Inc., used $140,600 in JDA direct and RDLF loans to expand its custom wood door and window manufacturing company in Saranac Lake, Essex County.

Contact

New York Rural Development Loan Fund
New York Job Development Authority
605 Third Avenue
New York, New York 10158
(212) 818-1700
Fax (212) 682-1467

Osage, Iowa, High Energy Efficiency Loan Program

Reference: *Revitalizing* (1989), page 35

Program Objective

The Osage Municipal Utilities' High Energy Efficiency Loan Program (HELP) combines state and utility resources to strengthen and expand existing businesses by promoting energy efficiency.

Program Progression

HELP continues to offer services for industrial and commercial firms: free energy efficiency audits and a loan interest-subsidy program to make the identified improvements and investments. To make energy efficiency investments even more attractive, HELP program officials recently altered their method of subsidizing interest rates. The program now covers all interest payments on HELP-related loans for the initial two years. Previously, companies received an interest-rate subsidy of up to 5 percentage points below the prevailing local rate.

Program in Practice

The Fox River Mills knitting company in Osage, acting on the recommendations of a HELP energy efficiency audit, undertook a $2 million plant renovation and production-line reorganization in 1989. With these changes, the company has been able to reduce energy costs for a dozen pairs of knitted socks from 48 cents to 30 cents--a 37 percent cut. The revamped production system has boosted productivity by 200 percent. Mill owners have been able to reduce wholesale prices while increasing sales and profits; they reinvested the profits in the company to help finance a plant expansion. These efforts created more than 50 new jobs, a major boost for a town of less than 4,000 people.

Another company, A-Z Drying, incorporated the results of a HELP audit to rebuild its insecticide dryer system and has since cut energy use in half for equivalent productivity. Innovative use of waste heat in the town bakery and other efficiency improvements in main street commercial enterprises were featured on *Good Morning America* and other major network broadcasts. These examples demonstrate the role of HELP in creating incentives for companies to stay economically competitive and remain in the Osage area.

Contact

High Energy Efficiency Loan Program
Osage Municipal Utilities
P.O. Box 207
720 Chestnut Street
Osage, Iowa 50461
(515) 732-3731

Maine Job Start

Reference: *Revitalizing* (1989), page 38

Program Objective

The Job Start loan fund provides money to small businesses throughout the state to start, strengthen, or expand their operations.

Program Progression

Launched in 1984, Job Start increased its revolving loan fund from $600,000 in 1989 to $8 ,000 as of mid-1990. The loan fund is no longer exclusively for residents of the five original targeted co ties, but is now offered statewide. Applications are taken at three local community agencies (a fourth e will be added in 1990). Interested persons or business owners still must have a family income of 20 percent below federal median income levels. Loan-term criteria have remained the same.

Applicants for loans continue to be judged mainly on their ability to repay the money and on the soundness of their proposed business plan. In the interest of promoting "home grown" economic development, program officials make an effort to help small and start-up projects carrying a higher degree of financial risk (although two thirds of all applicants fail to meet these criteria). Not surprisingly, Job Start has experienced a 20 percent default rate.

Program in Practice

By June 1990, the Job Start program had issued 102 loans totaling $743,700, compared with 62 loans made through mid-1988 totaling $465,600. This loan activity has helped create more than 145 jobs in the state since 1984.

Job Start helped a single mother of two obtain the necessary skills to develop her hobby of making high-quality leather clothing, slippers, and purses, into a business. Through a course offered by the program, she obtained the necessary skills to put together a business plan and understand financial record-keeping and business practices. A group of five people from the course applied for $25,000 from which to draw loans. Through this pool of funds, she obtained the $5,000 needed to buy materials to increase the inventory enough to begin the business.

A rural couple who began a nursery in 1985 needed a financial boost to increase sales and build a greenhouse. A business-training session in late 1989 gave them the skills to put together a goal-oriented business plan that included a strategy for financing retail inventory and greenhouse construction. They received a loan for $5,000 in January 1990 to build the greenhouse and increase inventory. The business has expanded from seedling, perennial, and herb sales to include florist and gardening-related items. The couple has agreed to participate in future Job Start training sessions to speak on their experiences with their business.

Maine Job Start Loan Activity for Fiscal Year Ending June 30, 1990

Town	Company	Loan Amount (in dollars)
Houlton	Truck refinishing	7,000
Bridgewater	Transport company	10,000
Mechanic Falls	Nursery	10,000
Bryant Pond	Book publisher	10,000
Stockholm	Heating specialist	10,000
Presque Isle	Backhoe service	10,000
Machias	Chinese restaurant	10,000
Van Buren	Construction	10,000
Caribou	Photographer	3,000
Lewiston	Graphics	10,000
Machias	Geodesic dome construction	6,500
Bass Harbor	Masonry	10,000
Lisbon	Carpenter	10,000
Eastport	Fitness center	10,000
Machias	Lobster fisherman	10,000
Presque Isle	Daycare	2,000
Oakfield	Paliet construction	8,000
Bethel	Marquetry manufacturing	10,000
Sherman Station	Plumbing and heating	10,000
Addison	Daycare	10,000
Eastport	Pizza restaurant	10,000
Cherryfield	Pizza and subs takeout	5,000
Bucksport	Photo processing	10,000
Presque Isle	Entertainment (DJ)	10,000
Norway	Bakery	5,000
South Paris	Leather goods	5,000
Norway	Electronic repair	5,000
Minot	Fiberglass repair	5,000
Norway	Landscaping	10,000
Eastport	Bicycle repair/sales	10,000
Easton	Stove wood	7,600
Machias	Framing/Art supplies	7,000
Total		**$261,100**

Contact

Job Start Program
Finance Authority of Maine
P.O. Box 949
Augusta, Maine 04330
(207) 623-3263
Fax (207) 623-0095

Texas Rural Economic Development Fund
(formerly Texas Rural Loan Fund)

Reference: *Revitalizing* (1989), page 40

Program Objective

The state's Department of Commerce, through the Texas Rural Economic Development Fund, provides loan guarantees to private lenders to attract manufacturing and industrial jobs to cities with less than 50,000 population and rural areas.

Program Progression

In 1989, the state legislature converted the Texas Rural Loan Fund, a direct loan program, to the Texas Rural Economic Development Fund (TRED), a guaranteed loan program, in order to increase program activity and reduce administrative costs. Under the direct loan program, the state could loan only $500,000 per year; the Commerce Department serviced the loans. The new guarantee activity is limited to the amount in the fund, which will grow as loans from the prior program are repaid and fees are generated.

Under the new program, the Commerce Department may guarantee up to 85 percent of loans made by private lenders with terms of 15 years or less. The maximum loan guarantee is $350,000; where job creation is a substantial component, this limit may be waived. The minimum loan guarantee is $50,000.

Projects eligible for financing must be used or occupied principally by manufacturing or industrial enterprises. Loans are available for land, buildings, equipment, facilities, improvements, and working capital. Design costs and refinancing of existing debt are not eligible. Businesses must contribute at least 10 percent of project costs in the form of cash, land, or depreciable property. The equity minimum is one-third for businesses in operation for less than one year. In each case, the Department of Commerce takes a shared first lien with the private lender. Guarantee beneficiaries must create one new job for every $35,000 guaranteed by the fund.

Lenders apply for guarantees directly on behalf of specific business projects. They must submit a loan-commitment letter to the Department of Commerce and complete an application that outlines the terms and financial statements. Lenders pay a fee equal to 1.5 percent of the guaranteed amount. TRED officials give priority to projects located in Texas enterprise zones and those advancing activity in the food and fiber- processing industries. Lenders themselves must qualify for TRED participation by submitting a letter of request and institutional financial reports to the Commerce Department.

Program in Practice

The revised program has been under way only a few months. One of the first businesses receiving guarantee assistance was a cotton-diaper manufacturer located outside of Dallas. The firm received a $255,00 loan to buy new machinery and equipment. The project finance structure is outlined below.

Project Summary

Machinery and Equipment	$225,000
Cash and Accounts Receivable (Equity)	$100,000
Total	$325,000

Sources of Finance

Bank/TRED	$225,000
Equity	$100,000
Total	$325,000

Terms

The manufacturer obtained a seven-year loan at 12 percent interest; the TRED Fund provided a $255,000 guarantee. The bank and TRED share a first-lien position on the machinery and equipment purchased, as well as on other business assets that would be tapped in the event of a foreclosure.

Proposed Debt Service

Bank/TRED	
annually	$47,676
monthly	$3,973

Contact

Texas Rural Economic Development Fund
Texas Department of Commerce
P.O. Box 12728
Austin, Texas 78711
(512) 320-9649
Fax (512) 320-9452

3. Targeted Development Case Studies

More than 40 states have adopted targeted-development programs as part of their overall economic development strategies. While the programs have diverse frameworks, all have a common goal--to channel development activities to and achieve economic benefits for locations, sectors, or groups at a perceived disadvantage in the marketplace.

Targeted-development programs strive to help flawed markets succeed with identified constituencies, bring about a more "level playing field" among potential competitors. They open up opportunities for disadvantaged workers and entrepreneurs, enabling them to enter the economic mainstream and participate more fully in the local economy. State governments invest millions of dollars annually in subsidized loans, direct grants, tax incentives, and other forms of targeted assistance. Targeted-development initiatives often have more explicitly stated public or social objectives than other economic development programs. In return for public investments in training, physical improvements, technology infrastructure, and development projects, state and local governments expect to get tangible public benefits, such as new jobs or a stabilized and diversified local business community, that can help some of the least advantaged segments of the community--low-income, minority, or unemployed residents.

Most targeted-development programs are designed to influence private investment decisions by either providing a cushion against the risk of investing or offering incentives to counter negative factors associated with the target area or group. They fall primarily into four categories:

- enterprise zones and other geographically defined areas (usually distressed communities);
- assistance to specified groups, such as entrepreneurs, women, minorities, and the economically disadvantaged;
- targeted-industry programs, either to high-growth industries with good potential to expand in a community or region, or to existing mature industries facing significant challenges such as market transition or evolving technology; and
- help earmarked for small cities and rural areas.

Information gathered by the Institute shows that 25 states have begun programs to spur investment that improves neighborhoods in economically distressed cities. Twenty-three states have adopted industrial or commercial site programs to encourage investment and 30 have adopted special incentives to encourage companies to locate new or branch plants in distressed areas. According to a survey by the National Governors' Association, 20 states have invested in emerging or high-growth industries such as biotechnology and telecommunications, chosen after careful analysis of the state's economy.[1] Some 34 states now designate enterprise zones, which feature a variety of geographically targeted tax, employment and training, and investment incentives. According to an analysis by the U.S. Department of Housing and Urban Develop-

[1]Marianne K. Clarke, *Revitalizing State Economies* (Washington, D.C.: National Governors' Association, 1986), p. 3.

ment, $6 billion in new capital investment has gone to over 3,000 new or expanded facilities in 1,400 state enterprise zones nationwide. More than 100,000 jobs have been created or saved by these efforts.[2]

Several targeted state programs use public resources to fill a specific shortcoming in the economic development climate affecting the designated community, industry, or constituency. For example, a few states concentrate on providing investment capital to the selected group, such as businesses in small towns or prospective minority franchisees. Other states channel certain types of help to individual sectors, such as technological support to the machine tool or auto parts industries, or marketing help to the tourist industry.

States also focus on one particular element or subset of a larger targeting strategy. California, for example, has designated Employment Incentive Areas to stimulate job creation among the unemployed and economically disadvantaged. Florida's Community Development Corporation Support and Assistance Program provides loans and grants for business-development projects in distressed communities. The state-operated Main Street Program, sponsored by the National Trust for Historic Preservation, helps rejuvenate commercial districts by attracting new businesses to them and improving their physical appearance. Currently 27 states operate Main Street programs.

Massachusetts Industrial Finance Agency Seafood Loan Fund

Reference: *The Guide* (1988), page 109

Program Objective

The Seafood Loan Fund, one of the programs offered by the Massachusetts Industrial Finance Agency, encourages innovation and modernization in the seafood industry by targeting financial assistance to Massachusetts companies that process, package, market, and distribute seafood products.

Program Progression

This low-interest revolving loan fund, created in 1985 to enhance the competitiveness of the state's $1 billion-a-year seafood industry, has concentrated on four tasks: improved product quality, use of fish by-products, surimi production, and improved distribution and marketing. Direct loans are still available for up to $200,000 to finance capital expansion or equipment purchases, excluding vessels. Rates typically are one-half point above the prevailing five-year U.S. Treasury bill at the time the loan is granted. MIFA's credit committee reviews project proposals and its board of directors makes the final decision on each application.

Program in Practice

As of 1990, the original $1.5 million revolving fund has helped 14 companies finance just over $2 million in projects. Loan repayments generally support at least one new project each year.

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[2]U.S. Department of Housing and Urban Development, Office of Community Planning and Development, *State-Designated Enterprise Zones: Ten Case Studies* (Washington, D.C., August 1986), pp. ii-iii.

MIFA Seafood Loan Fund Projects: Fiscal 1989

Company	Location	Loan Amount (in dollars)
Cape Oceanic Corp.	Hyannis	200,000
East Coast Seafood, Inc.	Lynn	200,000
Finest Fish Market, Inc.	New Bedford	180,000
Total		**580,000**

Contact

Seafood Loan Fund
Massachusetts Industrial Finance Agency
400 Atlantic Avenue
Boston, Massachusetts 02110
(617) 451-2477
Fax (617) 451-3429

Wisconsin Community Capital Program

Reference: *The Guide* (1988), page 111

Program Objective

Wisconsin Community Capital, Inc. (WCC) provides financial and technical assistance to small businesses to create and preserve jobs in economically distressed neighborhoods.

Program Progression

WCC is a state-initiated, SBA-licensed Small Business Investment Company. Originally formed to complement the activities of the Wisconsin Community Development Finance Authority (WCDFA), WCC has operated independently since 1985, when WCDFA's 45 percent ownership was transferred to the Wisconsin Housing and Economic Development Authority.

To increase its direct impact on communities, Wisconsin Community Capital now stresses a zone approach to economic development by targeting specific geographical areas or neighborhoods for assistance. Working together with banks and community-based organizations, WCC develops investment strategies to use available loans and investment capital to best advantage. WCC intends to improve businesses' chances of success by monitoring them closely.

Program in Practice

WCC is participating in a joint venture with the Lincoln Neighborhood Redevelopment Corporation (LNDC), to revitalize the Lincoln Avenue neighborhood of Milwaukee and encourage the opening of basic

service businesses such as restaurants, a grocery store, and a pharmacy. WCC provided $100,00 of the $550,000 Lincoln Fund loan pool and meets weekly with the LNDC director to review applications for funding.

The Lincoln Fund will write loans of $5,000 to $110,000 to new and existing businesses in the targeted area. WCC may take equity or debt positions in the businesses to make the loans less risky and eligible for lower interest rates.

Contact

Wisconsin Community Capital
1 South Pinckney Street
Suite 500
Madison, Wisconsin 53703
(608) 256-3441

Maryland Development Credit Fund

Reference: The Guide (1988), page 113

Program Objective

The Development Credit Fund (DCF) is a not-for-profit corporation that aims to expand minority participation in economic activities in Maryland by providing below-market-rate loans to minority-owned and operated businesses.

Program Progression

The fund, established in 1983, continues to concentrate on long-term loans (up to ten years) for working capital, equipment, machinery, and business acquisitions, as well as limited lines of credit for short-term working capital. The minimum amount lent remains at $5,000 while the maximum is now $750,000, up from the original $500,000 ceiling. The state still guarantees up to 80 percent of each loan and the U.S. Small Business Administration (SBA) has approved DCF to participate as a non-bank lender in its loan-guarantee program.

To obtain a loan, borrowers must be members of economically or socially disadvantaged groups (ethnic minorities, women, handicapped persons, and others who can show a history of disadvantage) and do business in Maryland. Qualifying groups must now own at least 51 percent, rather than 70 percent, of the businesses.

Program in Practice

Since 1983, the fund has made 91 loans worth nearly $8.6 million. As of mid-1990, seven of these loans had been liquidated, and five were in default. DCF has drawn less than $300,000 from the state guarantee pool and the SBA--a loss rate of about 4 percent. The staff has found a high level of demand for financial assistance.

The typical DFC borrower runs a small, slow-growth business. The largest category of borrowers is the retail business, followed by food service and transportation. The fund has made very few loans to

manufacturing businesses, perhaps reflecting the fact that, nationally, less than 1 percent of minority-owned businesses are manufacturers.

Justice Trucking Company is a bulk-hauling firm established in 1974 with four employees and annual sales of $65,000. It transports sand, dirt, gravel, stone, asphalt and other materials from various job sites around the Baltimore metropolitan area. When DCF funded its initial term loan of $200,000 for equipment in 1983, the company had sales of $699,154 and seven employees. DCF has provided the company with a line of credit and two term loans totaling over $560,000. Justice Trucking today employs 19 people with an annual sales over $2.3 million.

Summary of DLF Loans By Size: 1983-1990[1]

Range	Number of Loans Funded	Percent of Program Resources
$5,000 (minimum) - $25,000	15	3.5
$26,000 - $49,000	18	7.2
$50,000 - $99,000	27	19.2
$100,000 - $125,000	15	17.7
$126,000 - $499,000	13	34.9
$500,000 (original limit)	3	17.5
$501,000 - $750,000 (current maximum)	0	0.0
Total	**91**	**100.0**

[1]Through June 1, 1990

Contact

Development Credit Fund, Inc.
1925 Eutaw Place
Baltimore, Maryland 21217
(301) 523-6400
Fax (301) 669-7535

Maryland Equity Participation Investment Program

Reference: *The Guide* (1988), page 114

Program Objective

The Equity Participation Investment Program (EPIP) helps finance the purchase of franchise businesses by handicapped persons, women, and members of minority groups.

Program Progression

One of four programs run by the Maryland Small Business Development Financing Authority, this program continues to focus on helping socially, physically, or economically disadvantaged persons purchase franchises. Eligibility criteria and application procedures remain essentially the same. EPIP support complements other sources of start-up financing by providing up to $100,000 or 45 percent of the total initial investment (whichever is less) to qualified individuals.

Program in Practice

The Maryland legislature reauthorized EPIP in 1990 and appropriated $1 million annually for equity financing. Since the program began in 1985, it has approved 67 applications leading to the closing of 36 deals. Only two applications were refused; both were turned down due to problems with the franchisors rather than with the applicants. EPIP recently invested $100,000 in a $428,000 project to open a Sizzler franchise in Edgewood, Maryland. The owners and the Sizzler company furnished the remainder.

Recent EPIP Projects
(in dollars)

Company	Location	Total Cost	EPIP Investment
Sizzler	Edgewood	428,000	100,000
Expression and Fabric, Unlimited	Baltimore	160,000	60,000
Lee's Ice Cream	Baltimore	158,000	71,000
Dry Clean U.S.A.	Landover	200,000	80,000
Ponderosa Steakhouse	Bellaire	400,000	100,000
Service Masters	Landover Hills	46,000	20,000
Fast Frame, Inc.	Severna Park	130,000	59,000
The Coffee Beanery	Wheaton	200,000	90,000
Dollar Discount Stores, Inc.	Brookland Park	112,000	32,000
Westcoast Video	Baltimore	200,000	90,000
Payless Car Rental	Glen Burnie	244,000	100,000
Hair Performers	District Heights	130,000	53,000
Dunhill Personalities System, Inc.	Landover	116,000	50,000

Contact

Equity Participation Investment Program
Maryland Small Business Development Financing Authority
217 East Redwood Street, Suite 2200
Baltimore, Maryland 21202
(301) 333-4270
Fax (301) 333-6931

Missouri State Enterprise Zones

Reference: *The Guide* (1988), page 116
Revitalizing (1989), page 110

Program Objective

Missouri's State Enterprise Zone program provides incentives to businesses to locate in distressed communities especially those in rural areas, with economic performance below the state average.

Program Progression

Established in 1982, the program now has four full-time staff members. The original tax incentive package remains essentially unchanged. In 1989 the legislature authorized the designation of one additional zone, in Rolla (the 34th), as well as "satellite" enterprise zones in Kansas City and St. Louis. These satellite zones may include properties physically removed from the original zone that may develop more quickly with zone incentives. Three such zones were authorized for Kansas City and one for St. Louis.

Program in Practice

Since the program began, 316 new or expanded businesses in the zones have taken advantage of the benefits available to them. Some 11,000 new jobs have been created and about $417 million has been spent in capital investments.

The Joplin/Webb City enterprise zone, established in March 1985, led all zones last year in value of new investment and value of credits certified, followed in both categories by the St. Joseph/Buchanan County zone. The Joplin/Webb City zone hosted 548 new companies and ranked no lower than fifth statewide in the same categories when new and expanding businesses were combined.

The following tables show totals for the fiscal year ending June 30, 1990. The statistics do not represent all activity created within a zone during the year. Only those companies approved for tax credits are reflected in the following statistics.

Selected Zone Activity: July 1, 1990
(in dollars)

	New Developments	New and Expanding Total
Joplin/Webb City	28,303,641	29,147,041
St. Joseph/Buchanan Co.	27,223,355	74,171,433
Sedalia	26,306,091	33,639,716
Kirksville	18,119,367	18,633,314
Kansas City	15,594,883	31,927,390
St. Louis Mid-Town	4,090,617	32,580,269

Value of Tax Credits Certified
(in dollars)

	New Developments	New and Expanding Total
Joplin/Webb City	$1,992,015	$2,071,347
St. Joseph/Buchanan Co.	1,692,058	3,538,337
West Plains/Howell Co.	1,085,277	1,651,656
Potosi/Washington Co.	1,080,395	1,363,063
Cuba/Crawford Co.	1,059,193	1,351,981
Kansas City	807,492	2,710,598

Value of Net New Jobs Created
(in dollars)

	New Developments	New and Expanding Total
Joplin/Webb City	548	588
Kansas City	493	897
Cuba/Crawford	447	538
Piedmont/Wayne	225	611
West Plains/Howell	331	537
St. Louis Mid-Town	70	460

Contact

Missouri Enterprise Zones
Department of Economic Development
301 West High Street
P.O. Box 118
Jefferson City, Missouri 65102
(314) 751-683
Fax (314) 751-7385

Connecticut Enterprise Zones

Reference: *The Guide* (1988), page 119

Program Objective

The Connecticut Enterprise Zone Program has a dual purpose: to channel investment to depressed inner-city neighborhoods and to create jobs for zone residents by attracting businesses into the zone with state and local benefits.

Program Progression

The program has changed several incentives targeted to businesses in designated enterprise zones since the first were launched. The state's Business Assistance Fund now offers low-interest financing to businesses with gross sales of $3 million or less, up from the $1.5 million ceiling adopted in 1988. Manufacturers continue to receive $1,500 in cash for each new job they create in the zone; certain banking, insurance, and business services companies receive $500. This incentive, available to companies whose work force comprises at least 30 percent zone residents, or city residents eligible for JTPA assistance now is available to companies employing 150 zone residents. The original ten-year, 50 percent corporate business tax reduction, pegged to these hiring criteria, was complemented by a new tier of tax incentives: a five-year, 80 percent tax abatement on real land and personal property and a ten-year, 25 percent corporate tax credit.

Program in Practice

From the program's 1982 beginning through December 1989, it has grown to include 11 enterprise zones, the newest one added in Hamden in July 1989. Total projects more than doubled, from 721 to 1,557 through 1989, while jobs created and retained grew by 58 percent and 50 percent, respectively.

On the local level, Waterbury's enterprise zone helped Yankee Gas, a gas operations and meter services facility, undertake $3 million in new construction with a seven-year tax abatement on the real property. The company created 15 new jobs while retaining 60.

Connecticut Enterprise Zone Activity Through December 31, 1989

City	Number of Projects	Total Investment (in dollars)	Jobs Newly Created/Retained
Bridgeport	327	45,348,731	1,164/1,345
Hartford	290	33,052,324	566/587
Hamden[1]	---	---	---
Meriden	23	11,348,077	260/121
New Britain	134	67,286,450	1,958/1,092
New Haven	122	18,130,738	932/1,357
New London	165	33,651,534	382/1,451
Norwalk	323	151,545,958	2,155/821
Norwich	8	18,715,000	3/15
Waterbury	150	35,457,673	484/1497
Windham	15	408,000	---

[1]Newest zone added. No recorded activity to date.

Contact

Connecticut Enterprise Zones
Department of Economic Development
865 Brook Street
Rocky Hill, Connecticut 06067
(203) 258-4227
Fax (203) 529-0535

Kentucky Enterprise Zone Program

Reference: *The Guide* (1988), page 121

Program Objective

The Kentucky Enterprise Zone Program seeks to bring new or renewed development to targeted areas of the state by offering state and local tax incentives to businesses locating or expanding in zones.

Program Progression

Launched in 1982, the state enterprise zone program continues to emphasize job creation. It uses a blend of tax incentives to help trigger economic revival and stimulate business development in targeted areas and the entire community. The basic program has remained unchanged. The state has designated about two zones a year, the most recent in Hopkinsville in December 1987. Eight of the ten are in cities, two in rural areas.

Program in Practice

Nearly 1,500 businesses have participated in the enterprise zone program since 1982. Collectively they have created or retained more than 18,000 jobs, more than 30 percent of which have gone to previously unemployed zone residents.

Cumulative Zone Information: 1982-1990

Number of certified businesses	1,488
Service/professional	504
Manufacturing	408
Commercial	576
New businesses	666
Existing businesses	822
New jobs created	18,159
New capital investment	$1.7 billion

In 1989, the 45.7 square mile Louisville Enterprise Zone (LEZ) became the first in the country to exceed $1 billion in capital investment. The 833 certified companies in this highly successful zone have created over 10,000 new jobs since 1983 and retained over 28,000. Nearly 65 percent of all zone companies employ 25 persons or fewer; 47 percent of these companies are new to the zone. In fiscal 1990, the zone helped create 1,999 jobs and retain 6,000 jobs, generating $24.6 million in city, state, and sales and use taxes.

Helped by tax breaks and incentives offered in the LEZ, Zip Express, a 24-hour courier service, expanded significantly. The firm purchased 4.5 acres of land, built two 4,000 square foot facilities, and renovated an old fire station on the site. Employment has risen from 35 to 156 since 1983; the fleet increased from 30 to 115 vehicles during that time.

Contact

Enteprise Zone Program
Kentucky Commerce Cabinet
Department of Economic Development
Capitol Plaza Tower, Suite 2300
Frankfort, Kentucky 40601
(502) 564-7140
Fax (502) 564-3256

Vermont Job Development Zone Program

Reference: *The Guide* (1988), page 123
Revitalizing (1989), page 120

Program Objective

The Vermont Job Development Zone Program promotes innovative and intensive approaches to economic development in areas experiencing severe unemployment and income lag.

Program Progression

No significant program modifications have occurred. The program has been extended to 1992.

Program in Practice

Job-zone incentives have increased business contacts. The program has promoted strategic planning, and major infrastructure improvements are under construction. Of the three zones, one has kept pace with statewide employment growth while the others are still behind. Average wage rates in two of the zones rose at a faster pace than the statewide increase.

Contact

Vermont Job Development Zone Program
Economic Development Department
109 State Street
Montpelier, Vermont 05602
(802) 828-3221
Fax (802) 828-3258

Florida Community Development Corporation Support and Assistance Program

Reference: *The Guide* (1988), page 124

Program Objective

The Florida Community Development Corporation Support and Assistance Program provides grants and loans to community development corporations, which in turn finance business development projects that help create and maintain permanent jobs in distressed communities.

Program Progression

Beginning in 1981 to promote economic growth in the Miami-Dade County area, this program evolved into a broader financing mechanism targeted to community development corporations (CDCs) in depressed areas all over the state. The legislature continues to make annual appropriations in two program categories: loan funds and administrative grants. In recent years, the legislature has authorized an average of $900,000 in loans and $1.6 million in administrative grants annually.

Procedures for awarding grants and loans have remained the same. The maximum for direct loans to CDCs is still $250,000; loan guarantees are now limited to $75,000 each, up from $50,000. Program regulations now allow borrowing limits of $300,000, up from $250,000. CDC loan approvals depend on factors such as the ratio of non-state funds to the loan amount requested, the number of jobs created, and the level of distress in the CDC's community. Administrative grant amounts and the maximum number offered by the program remain the same; the fiscal 1990-1991 budget authorized 16 of the 18 statutorily possible. Each was awarded about $90,000.

Program in Practice

According to program officials, the CDC Support and Assistance Program continues to help distressed areas. Over the life of the program, loans average $75,000 with terms of five to ten years. The program made seven loans totaling $420,000 in fiscal 1989. Several CDCs have made extensive use of the program. From 1981 through mid-1990, the program guaranteed 71 loans to the Pensacola CDC with a total portfolio value of $2,532,900. As a result of these loans, 353 permanent jobs were created.

Contact

Community Development Corporation Support and Assistance Program
Florida Department of Community Affairs
Bureau of Economic and Community Assistance
2740 Centerview Drive
Tallahassee, Florida 32399
(904) 488-3581
Fax (904) 922-5623

Michigan Community Growth Alliances

Reference: *The Guide* (1988), page 126
Revitalizing (1989), page 112

Program Objective

Michigan Community Growth Alliances (CGAs) are state-designated regional coalitions that support economic development professionals and provide services to promote business and community development.

Program Progression

This program has not been modified significantly. It continues to have a broad economic development mission; CGAs are encouraged to design and implement economic development plans tailored to local development needs and opportunitites. Each CGA continues to be responsible for operating area development and local procurement offices, as well as a small business center.

Program in Practice

The Department of Commerce launched the CGA program in 1984 and now administers a network of 39 CGA's serving 81 of 83 counties. State general funds provide start-up financing for the centers; this assistance is being phased out gradually. Commerce Department officials say the CGA network has increased public/private cooperation in development efforts and is helpful in channeling state development funds to localities.

Contact

Michigan Community Growth Alliances
Local Development Services
Department of Commerce
Law Building, P.O. Box 30225
Lansing, MI 48909
(517) 373-9642
Fax (517) 373-6420

Indiana Main Street Program

Reference: *Revitalizing* (1989), page 88

Program Objective

The Indiana Main Street Program (ISMP) provides technical assistance to communities to encourage downtown economic and business development within the context of historic preservation.

Program Progression

ISMP's technical assistance helps communities to build local capacity by offering guidance to local leaders on how to manage and strengthen the business climate and image of their downtowns. They are thus prepared to work toward self-sufficiency in their downtown-revitalization efforts.

ISMP's unique structure of participation attempts to meet the varying levels of commitment that communities make to the revival of their downtown areas. In 1989, the program's tier system of services was restructured. The requirements for inclusion in the various categories of participation were better defined and tightened. A new tier, Graduate Partner, was created to recognize the more experienced communities whose programs have achieved a high degree of self-sufficiency.

Main Street has grown from 97 communities in 1989 to 114 by 1991. This number includes 84 in the Participant tier (threshold communities), 18 Associates (growth-stage communities), 4 Partners (communities receiving the most intensive level of service), and 8 Graduate Partners.

ISMP's staff has grown to meet the demand for services. The coordinator serves the Partner and Graduate communities and manages the program. The Main Street specialist works with Associates and Participant communities and plans educational seminars. The resource coordinator acts as an informational liaison among Main Street communities and publishes a bimonthly newsletter and other documents. The program also has contracted with a design consultant to help communities improve building facades and color schemes.

Program in Practice

ISMP's services expanded in 1989 and 1990. With planning assistance from other organizations, ISMP held two two-day conferences and 13 regional meetings with over 800 in attendance. In 1990 alone, ISMP staff responded to over 190 phone calls for technical assistance and made over 70 site visits.

ISMP also has broadened its relationships with other state economic development efforts, forging close ties to area Small Business Development Centers, architecture and business schools at state colleges, and state and local heritage tourism efforts.

Main Street communities have continued their downtown-revitalization successes in spite of economic downturns. From 1986 to 1990, 15 reporting communities had documented the following investments in their downtowns:

$6 million in facade renovations	320 new downtown housing units
$241 million in building rehabilitations	350 net new businesses
$32 million in new construction	2,300 net new jobs
$26 million in public improvements	

Of the 14 original Partner communities, eight have retained full-time Main Street organizations with full-time managers. The other six did not follow the Main Street revitalization model closely and dropped to Participant or Associate status due to lack of funding and support. Due to the addition of the Main Street specialist positions, many Associate communities now have established fully functioning organizations and hired managers.

Contact

Indiana Main Street Program
Indiana Department of Commerce
One North Capitol, Suite 700
Indianapolis, Indiana 46204-2288
(317) 232-8911
Fax (317) 233-3597

Illinois Corridors of Opportunity

Reference: *Revitalizing* (1989), page 103

Program Objective

The Corridors of Opportunity program encourages geographically close cities and counties to cooperate in promoting economic activity by developing and marketing their common resources.

Program Progression

Basic guidelines have not changed since the program began. Local programs are carried out by regional Corridor Councils. The state Department of Commerce and Community Affairs (DCCA) continues to administer the program and make final funding decisions for the 22 Corridors of Opportunity by examining councils' proposals to meet program objectives. In fiscal 1988, 1989, and 1990, the General Assembly provided $675,000 for Chicago and $1,332,200 for municipalities less than one million in population. Councils still must provide matching funds or in-kind contributions totaling at least half the grant request.

In 1989, DCCA reorganized its Bureau of Marketing and renamed it the Economic Development Division to focus on the existing 22 corridors. The corridors management team continues to provide support to the corridors. The new division enhances the activities of the corridors by tieing them into the economic development activities of the state through specially assigned DCCA liaisons. Priorities for the program in 1990-1991 include export promotion and expansion (including development of a closer relationship with Japan's regional banks), rural community development, and target industry development (including food processing). Currently, all corridor programs target one or more of the following six industries: tourism (8 corridors), automotive (4), agribusiness (9), service industries (8), high technology (5), and general manufacturing (15).

Program in Practice

Each individual corridor has had its own successes; a few of the more exceptional developments are described here.

The Central Illinois Corridor Council sent a delegation of ten representatives to Japan to meet with industry, finance, and government officials. The trip resulted in the location of Meisei Industry Co., Ltd. in Danville.

The Northwest Passage Corridor Council's tourism-promotion campaign has yielded important economic benefits. In 1989, over 6,000 inquiries were received. The results of a study conducted on the 1988 campaign showed the 77 percent of the respondents had visited the region and nearly 50 percent had stayed overnight.

The South Suburban Regional Economic Development Coordinating Council worked with Glenmark Corporation, a food-processing company, to locate a 10,000 square foot facility in South Holland creating 150 new jobs.

The Northern Illinois Corridor coordinated the participation of the state's automotive corridors in the Society of Automotive Engineers show in Detroit. They exhibited jointly and hosted an informational seminar on Illinois. About 150 leads were generated from the show.

Profile of Corridors of Opportunity in 1989

Corridors	Industry Focus of Corridor	[illegible] Funds	Matching Resources (cash and in-kind)	otal
Illinois Research and Development	HT/S/GM	50,400	24,000	74,400
Argonne Technology	HT/GM	59,325	29,662	88,987
Golden	HT/GM	44,415	22,207	66,622
Northern Illinois	A/Ag/GM	49,690	24,845	74,535
Central Illinois	A/Ag/GM	107,258	53,129	160,387
Western Illinois	Ag/S/GM/T	93,135	44,350	137,485
S.E. Central Illinois	Ag/GM	22,155	11,078	33,233
Mid Metro	HT/Ag/S/GM	38,220	19,101	57,321
Interstates	Ag/GM/T	93,082	44,425	137,507
International	Ag/S/GM	25,200	12,000	37,200
Enterprizing Zone	S/GM	32,970	16,485	49,455
South Suburban	A/S/GM	117,881	56,110	173,991
Southwestern Illinois	S/T	119,700	59,850	179,550
Lake County	HT/GM	41,000	20,500	61,500
South Central Illinois	Ag/GM	40,307	20,156	60,463
East Central Illinois	A/GM	44,625	22,312	66,937
Northwest Passage	T	34,390	17,195	51,585
Illinois & MI Canal National Heritage	T	19,110	9,552	28,662
Fox River/Chain O'Lakes	T	26,300	13,542	39,842
Lake Michigan	T	44,972	22,415	67,387
Southern Illinois	T	137,550	68,775	206,325
Economic Development Commission of Chicago	Ag/S/T	641,725	320,864	962,589

Contact

Corridors of Opportunity Program
Illinois Department of Commerce and Community Affairs
State of Illinois Center
100 West Randolph Street, Suite 3-400
Chicago, Illinois 60601
(312) 814-2384
Fax (312) 814-6732

4. Infrastructure Case Studies

As the congressionally mandated National Council for Public Works Improvement noted in its first report, infrastructure is "the physical framework that supports and sustains virtually all economic activity."[1] Adequate physical capacity--including streets and roads, water systems, sewer lines, and other transportation and utility systems--must be available to attract investment necessary to create jobs and ensure economic vitality. Deteriorating infrastructure stymies economic development at the state and regional level as well as at the city and neighborhood level. Physical inadequacies can deter growth and negate productivity, location, and other competitive advantages.

Infrastructure spending, in addition to helping private-sector investment in specific development projects, can be used to achieve other community development and social goals, such as minimizing the problems of obsolescence or geographic isolation for certain population groups or economic sectors. Public works spending, for example, can help increase employment and the flow of payroll dollars to a given area and lead to increased tax revenues and a higher level of economic activity in the form of supportive services and materials.

In terms of dollars, infrastructure programs garner by far the largest federal contribution devoted to economic development. The level of federal participation has shrunk by 23 percent during the last decade, however, from $37.2 billion in 1980 to $28.7 billion in 1988 (in 1984 constant dollars).[2] Increasing competition for fewer federal infrastructure dollars, however, is forcing cities to look to their states for help--and forcing states to find ways to pay the burgeoning bills for physical development projects. In early 1991, the Bush Administration submitted its proposal for reauthorizing highway and transit programs. The five-year, $105 billion plan would boost federal funding by 39 percent but increase the portion of project costs that state and local governments must pay.

Such a shift in financing responsibility would require states and municipalities to ante up considerably more money to bring projects to fruition. It comes at a time when many jurisdictions face significant physical problems demanding creative solutions. Nearly all states have had bricks-and-mortar programs on the books for years, often meeting costs by issuing bonds. Some 16 states, however, have adopted innovative approaches to infrastructure finance, following two basic program approaches:

- requiring links from publicly supported infrastructure projects to specific private-sector economic development undertakings; and
- lending capital to municipalities and other local agencies to help finance public works necessary to bring about development.

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[1]National Council on Public Works Improvement, *America's Public Works Infrastructure: Ensuring the Nation's Future* (Washington, D.C., 1988), p. 2.

[2]Office of Technology Assessment, *Rebuilding the Foundations: A Special Report on State and Local Public Works Financing and Management* (Washington, D.C., 1990), Table 1-2, p. 8.

Many states have devised innovative programs to meet physical development needs. Some offer low-interest infrastructure loans as an incentive for communities to better plan and maintain their physical capacity. Others provide funds for projects with committed primary funding from other sources that need a secondary allocation to complete financing for ancillary streets, sidewalks, public utility systems, and related facilities. Several states operate bond banks to finance infrastructure development necessary to enable identified businesses to locate or expand in specific communities.

Furthermore, state governments are turning to a variety of creative infrastructure-financing mechanisms to supplement traditional bond issues. These new methods include variable-rate obligations, zero-coupon bonds, put-option bonds, warrants, and short-term borrowing. Taxable bonds have been developed recently as another financing option. State and local governments are also financing infrastructure projects linked to private development activities by using new nondebt resources, such as pension funds and sale and lease agreements with private-sector entities.

In addition to innovative financing techniques, states are devising policies that, in essence, transfer the costs of large-scale infrastructure onto the primary beneficiaries or users of the facilities. Through development fees or exactions, privatization, special-assessment districts, user fees, and zoning negotiations, public officials are looking to the private sector to pick up part of the capital-facilities costs of development, even though these policies could discourage investment in some areas.

Pennsylvania Business Infrastructure Development Program

Reference: *The Guide* (1988), page 150

Program Objective

The Pennsylvania Business Infrastructure Development Program (BID) makes grants and loans to local governments to finance infrastructure improvements necessary to complement private industrial investment and to create job opportunities.

Program Progression

Established in 1984 by the Pennsylvania legislature as one of eight programs under the Pennsylvania Economic Revitalization Act, BID received a $17.85 million appropriation in fiscal 1989-1990, down from $29 million in fiscal 1987-1988. Program regulations and matching requirements remain essentially the same. The program continues to offer interest-free and low-interest loans to Pennsylvania communities; the maximum grant or loan is $1.5 million. Loan rates fluctuate, but recently have stayed between 3 and 9 percent. The program targets those distressed communities meeting federal Urban Development Action Grant eligibility criteria, such as high levels of poverty, unemployment, and housing in need of renovation. Between 1984 and mid-1990, distressed areas received more than 89 percent of all funding, up from 77 percent in 1988.

Program in Practice

From 1984 to mid-1990, the BID program authorized 129 grants and loans totaling over $80 million. The accompanying table provides details of recent grants and loans.

Business Infrastructure Development Program Selected Grant or Loan Approved: January 1989 - June 1990

Project Location	Private Funds (in dollars)	BID Funds (in dollars)	3-Year New Jobs Projection	Project Description
Williamsport City and Lycoming Co.	3,080,000	420,000 Grant	28	Install and upgrade water, sewer lines, access road
Marion Twp. Beaver Co.	5,500,000	390,000 Grant	114	Construct a water line and pump station
Hazleton City Luzerne Co.	5,057,000	197,165 Grant	65	Construct 3,200 feet of sanitary sewer line
Northumberland Boro. Northumberland Co.	3,500,000	1,500,000 Grant	116	Upgrade sewage treatment plant to accommodate a food processing plant
Curwensville Boro. Clearfield Co.	4,823,000	1,275,000 Grant	85	Construct a pretreatment facility
Great Bend Twp. Susquehanna Co.	1,281,188	300,000 Grant	173	Install sewer lines and upgrade access road
Pittsburgh Allegheny Co.	1,165,000	172,000 Grant	35	Acquire land, prepare site, construct storm drainage and parking
North Union Twp. Fayette Co.	1,200,000	570,000 Grant	46	Construct access road
Greenville Boro. Mercer Co.	4,500,000	647,000 Grant	325	Prepare site, improve access road and drainage
Darlington Twp. Beaver Co.	2,850,000	207,356 Grant	90	Construct package sewage treatment facility
Ellwood City Boro. Lawrence Co.	1,030,000	446,250 Grant	88	Install transformer and appurtenances to provide electrical power
Sharpsville Boro. Mercer Co.	5,250,000	348,000 Grant	82	Construct access road, sewer, water lines, and storm drainage
Ridgway Twp. Elk Co.	350,000	175,000 Grant	15	Construct water line
Bethlehem City Northampton Co.	5,295,000	1,342,507 Grant	125	Upgrade access road, sanitary and storm sewers
Pittston Twp. Luzerne Co.	7,067,135	1,500,000 Grant	147	Construct access road and sewer lines
East Cocalico Twp. Lancaster Co.	181,000,000	1,105,073 No Interest Loan	95	Construct access road, rehabilitate a bridge
Cambria Twp. Cambria Co.	154,000,000	425,000 Grant	63	Install sewer and water lines
Chambersburg Boro. Franklin Co.	30,000,000	1,500,000 Grant	225	Extend access road, sewer and water lines, construct two rail crossings and a storm water detention basin

SOURCE: Business Infrastructure Development Program, *Project Update* (Harrisburg, Pa., June 1990).

Contact

Business Infrastructure Development Program
Bureau of Grants
Pennsylvania Department of Commerce
Forum Building, Room 494
Harrisburg, Pennsylvania 17120
(717) 787-7120
Fax (717) 234-4560

Build Illinois Public Infrastructure Loan and Grant Program

Reference: *The Guide* (1988), page 153
Revitalizing (1989), page 127

Program Objective

The Build Illinois Public Infrastructure program enables specific, identified businesses to locate or expand in the state by helping local governments finance the necessary infrastructure projects.

Program Progression

This component of the Build Illinois program can finance infrastructure projects through grants or loans; the latter can be offered at a fixed, low- or no-interest rate for up to ten years. Original funding for the program is exhausted; however, a request remains in the legislature for $3 million in continued funding. The program, which is run by the state Department of Commerce and Community Affairs (DCCA), spent most of the $30 million appropriated since 1985 as grants rather than loans. Program officials plan to use any new funding primarily for loans to ensure the greatest economic impact.

Program in Practice

In fiscal 1989, the Build Illinois Public Infrastructure Program helped create 2,966 new jobs and retain 1,260 jobs for the state. Examples of program success include the city of Flora, which was awarded a $115,000 loan to help finance a rail spur to a vacant manufacturing facility to be purchased and renovated by DRG Plastics, a food container manufacturer. This project is projected to create over 100 jobs and stimulate more than $5 million in private investment.

An infrastructure loan also was awarded to the village of Findlay for the extension of a natural gas line to the site of the Eagle Creek Resort, a hotel complex, to allow connection to a local utility. This loan stimulated the Findlay job market by providing nearly 145 jobs as well as promoting greater [illegible] of an important Illinois recreational area, a state priority.

Build Illinois Public Infrastructure Loan and Grant Program Activity: Fiscal 1989

Location	Project Description	DCCA Funds (in dollars)	Proposed Leverage (in dollars)	Proposed Jobs to Be Created/ Retained
Lincolnwood	Residential-commercial office development	1,288,592	5,230,000	443/0
Centralia	Production operation	60,000	1,950,000	100/0
Flora	Manufacturing facility	115,000	6,324,000	110/0
Hutsonville	Processing facility	510,000	3,100,000	301/0
Metro East Sanitary District	Storm-water control	137,235	--	--
Chicago	Warehouse/distribution facility access	298,000	32,43[illegible],141	165/0
Mt. Vernon	Warehouse/distribution center access	600,000	36,107,500	300/0
	Manufacturing facility	100,000	2,750,000	200/0
Findlay	Resort development	106,918	17,563,000	135/0
Dwight	General business support	135,268	800,000	42/0
Hoffman Estates	Office service	2,300,000	150,700,000	1,140/1,260
Bartonville	Environmental service	200,000	1,000,000	30/0
Total		**5,851,513**	**257,057,641**	**2,966/1,260**

Contact

Build Illinois Public Infrastructure Loan and Grant Program
Office of Economic Development Programs
Department of Commerce and Community Affairs
620 East Adams
Springfield, Illinois 62701
(217) 785-6142
Fax (217) 782-1206

Washington Public Works Trust Fund

Reference: *The Guide* (1988), page 155

Program Objective

The Washington Public Works Trust Fund offers local governments low-interest loans to help finance infrastructure projects and encourage localities to plan for their own infrastructure needs.

Program Progression

The Trust Fund, essentially a revolving loan fund, is capitalized with dedicated revenues from taxes on water, sewer, and garbage collection, and from a portion of the real estate excise tax. It now offers three loan programs: general construction, capital improvement planning, and emergency. This state revolving fund is now in its sixth annual loan cycle.

In addition to proving its own commitment, the local government or special purpose district must meet two requirements before it can be considered for a loan. First, it must institute a 0.25 percent excise tax on real estate transactions earmarked for infrastructure spending. Second, the locality must have a long-term capital improvement plan (CIP) for financing the specific infrastructure need (i.e., improvement, upgrading, or emergency repair for roads, bridges, water systems, sanitary sewers, and storm sewers) for which the loan is sought. In the 1991 loan cycle, eligibility requirements were tightened further to require a comprehensive CIP covering all five categories of infrastructure for which loans are offered rather than the single-category CIP.

Loans presently are offered only for purposes of repair, replacement, rehabilitation, reconstruction, or improvement of existing eligible public works systems to meet current standards and to serve adequately the needs of the existing service users. Funding is not provided for projects to serve anticipated growth or enlarge existing service areas. The interest rate on Trust Fund loans still ranges from 1 to 3 percent. Individual loan rates are determined by the percentage of local funds committed to a project. A 20 percent local share qualifies the applicant for a 2 percent interest rate; a 30 percent share qualifies for a 1 percent rate.

Program in Practice

The Public Works Trust Fund has several distinguishing elements. It emphasizes local effort by counting heavily on jurisdictions' maintenance strategies, local funds committed, and fiscal responsibility in awarding loans. Justification of need makes up the rest of the evaluation. In making loans rather than grants, the Trust Fund intends to discourage the postponement of repair-maintenance that tends to occur with the grant allocations system. The new requirement for a comprehensive CIP will build in a mechanism to ensure local capital improvement planning.

The Trust Fund has made 194 loans for over $100 million in the last five years; jurisdictions have matched this amount with almost $128 million in local funds to complete their projects. Program officials estimate that $51.9 million will be available for loans in 1991.

Contact

Washington Public Works Trust Fund
Department of Community Development
9th & Columbia Building
Olympia, Washington 98504-4151
(206) 586-0490
1-800-562-5677
Fax (206) 586-6868

Washington Public Works Trust Fund Projects and Allocations: 1986-1990
(in thousands of dollars)

Category	1986		1987		1988		1989		1990	
	Projects	Funding	Projects	Funding	Projects	Funding	Projects	Funding	Projects	Funding
Street and Road	14	5,997,152	4	1,929,956	15	8,908,980	17	9,214,314	9	7,194,792
Bridge	1	74,000	4	1,637,154	2	942,300	2	1,103,900	2	2,344,800
Sanitary Sewer	--	--	9	5,768,061	14	6,817,756	13	12,108,322	11	9,009,384
Domestic Water	18	6,361,547	10	3,966,635	20	9,097,784	17	14,169,224	19	12,646,964
Storm Sewer	3	3,000,000	6	2,742,700	1	496,495	4	719,365	3	1,985,040
CIP	--	--	--	--	--	--	10	116,615	10	137,250
Emergency Set Aside	--	--	--	--	--	--	N/A	1,000,000	N/A	750,000
Total	**36**	**15,432,699**	**33**	**16,044,506**	**52**	**26,263,315**	**67**	**39,141,740**	**55**	**34,068,230**

SOURCE: Adapted from "Five-Year Summary of Jurisdictions Receiving Public Works Trust Fund Loans," Olympia, Wash., 1990.

New Hampshire Rail Transportation Program

Reference: *The Guide* (1988), page 159

Program Objective

The New Hampshire Rail Transportation Program maintains portions of railroad lines in operation so industries dependent on them may remain viable.

Program Progression

The New Hampshire State Rail Plan, adopted in 1975, recognized the importance of railroads to the state's employment and productive capacity, allowing the state to purchase two abandoned rail lines and contract with private companies to run them. This program, updated every two to three years, has not been modified significantly.

Program in Practice

The Rail Transportation program continues to preserve the state's rail lines to help businesses dependent upon rail transportation. Recently, the program purchased 68 miles of abandoned railroad in the state to preserve them intact for future transportation needs or other purposes.

Contact

New Hampshire Rail Transportation Program
New Hampshire Department of Transportation
Bureau of Railroads
Stickney Avenue, P.O. Box 483
Concord, New Hampshire 03302-0483
(603) 271-2468
Fax (603) 271-1649

Mississippi Business Investment Act

Reference: *Revitalizing* (1989), page 42

Program Objective

The Mississippi Business Investment Act (MBI) makes loans and grants to local governments for specific infrastructure and site improvements to complement private investments that create jobs.

Program Progression

Passed by the legislature in 1985 and implemented in 1986, MBIA concentrates financial assistance in communities that would not be able to develop facilities for new and expanding industries without the loans. Eight categories of private companies are eligible for help including agricultural, industrial, manufacturing, research and development, state-owned ports; aquaculture or mariculture, service, and tourism were added

recently. Funds for tourism enterprises are limited to infrastructure improvements and land acquisition but are not available for promotion, working capital, or buildings.

General loan conditions, eligibility criteria, and job-creation requirements remain the same; the maximum loan amount for any single project is $15 million; the minimum is $500,000. A $3-to-$1 private-to-MBIA investment match still is required. The maximum loan period is ten years or the estimated useful life of the property, except in the case of state-owned ports where the maximum period may extend to 20 years. The application for assistance still must be submitted by a local sponsor and accompanied by a letter of intent from the new or expanding private company. The letter of intent now also must include:

- current employment levels at the site, in the county, and statewide;
- a statement of intent to operate the facility for a minimum of seven years;
- a commitment to make necessary rental or loan payments on improvements;
- a statement that improvements are necessary for the efficient and cost-effective operation of the proposed business or industry, plus supporting financial and engineering documentation;
- a commitment to grant the local sponsor a lien on the facility for which the improvements are being provided (with appropriate foreclosure rights); and
- a statement of willingness to comply with nondiscrimination and equal employment opportunity requirements.

Program in Practice

The Department of Economic and Community Development has granted low-interest loans totaling $54 million since 1986. As of mid-1989 participating businesses had invested approximately $2.8 billion, up $10 million since mid-1988. Of the $135 million in bonds authorized to date for MBI activities, $7.5 was set aside for grants. Of that $7.5 million, $2.5 million was designated specifically for small communities facing significant barriers to development. Currently, the state has committed but not yet loaned $31 million, and another $50 million is still available.

Selected Mississippi Business Investment Act Loan and Grant Activity through July 1990

Local Jurisdiction	Company	Loan	Grant	Jobs Created
Greenville	--	$7,500,000	$2,500,000	*
Clay County	--	815,000	--	*
Batesville	Crown, Cork & Seal	136,400	1,032,400	90
Jackson County	Navy Homeport	20,103,000	2,500,000	3,610
Starkville	ITD	2,000,000	--	105
Kemper County	NEMANCO	180,000	270,000	251
Walthall County	American Fabric	250,000	200,000	100
Panola County	Batesville Casket	4,400,000	--	62
Jones County	Howard Industries	4,000,000	--	645
Harrison County	Regina (Electrolux)	3,000,000	--	800
Morton	Chris Craft	8,000,000	142,000	18
Byhalia	F.L. Industries	1,000,000	--	155
Mantachie	Washington Furniture	--	450,000	160

*Number unavailable

Contact

Mississippi Department of Economic and Community Development
Mississippi Business Finance Corporation
P. O. Box 849
Jackson, Mississippi 39025
(601) 359-3552
Fax (601) 359-2832

Connecticut Development Authority

Reference: *Revitalizing* (1989), page 44

Program Objective

The Connecticut Development Authority (CDA) encourages capital investment in economic development projects through a combination of direct state loans, guaranteed loans, and other financial-assistance programs.

Program Progression

Established in 1973 with a single program, CDA had grown by 1987 to include 13 separate loan funds, each covering a specific area of perceived need. However, the Financial Capital Act of 1988 simplified and consolidated the loan funds into two primary ones--the Connecticut Growth Fund and the Business Assistance Program. In 1990, the legislature increased Authority funding from $25 million to $45 million. CDA also still operates several small development-finance programs.

The current maximum loan available through the Connecticut Growth Fund is $500,000. Loan requests are processed by CDA's Credit Administration Division staff. Loans still may be used to purchase real property, machinery and equipment, or provide working and start-up capital. CDA currently is encouraging bank participation in the loan process. The Business Assistance Fund now helps four types of companies with specific and identifiable financial needs caused by the nature or the location of the business: target businesses, impacted businesses, water facilities, and small contractors and minority business enterprises.

Program in Practice

CDA has loaned more than $2 billion for over 1,000 large and small projects since 1973. The restructured CDA is involved in several levels of financing. Much of the Authority's recent activity has helped manufacturers, often offering working capital or financing the purchase of machinery or equipment. In a 1990 cooperative venture, CDA and the Hartford Economic Development Corporation, a municipal financing agency, approved financing for City Sign, a 13-employee sign manufacturer in Hartford. Both CDA and the development corporation made loans of $90,000 to finance construction of a 6,000 square-foot warehouse.

CDA occasionally draws monies from two different loan funds to meet business' financial needs, as was the case with Able Industries, a small firm that manufactures and sells insulated thermocouple wire. Able received the maximum loan of $500,000 under the Growth Fund program to buy new property and begin construction, but needed additional funds to purchase machinery and equipment. Because Able located in Naugatuck, the firm was eligible to borrow $200,000 more from another CDA low-interest fund, the Naugatuck Valley Revolving Loan Fund.

Second or third-stage venture capital financing for high-tech, high-value-added products also is available through CDA. In July 1989, it made a bridge loan of $300,000 to Micro Gene Systems Inc. in West Haven to fund business operations while private financing of about $5 million was finalized. This loan launched the manufacture and sale of the recombinant HIV antigens (to be used in AIDS research) as the company plans for more permanent financing.

Connecticut Development Authority Program Approvals for Six Months Ending December 31, 1990

Program	Number of Borrowers	Project Cost (in dollars)	Loan Amounts (in dollars)	Jobs Retained/ Created
Business Assistance Fund	3	239,500	112,500	8/3
Growth Fund	12	9,865,000	3,707,500	260/95
Investment Finance	5	1,511,545	1,500,000	96/64
Mortgage Insurance	2	2,209,830	1,950,000	135/74
Naugatuck Valley	0	0	0	0/0
Self-Sustaining	8	94,899,234	91,683,000	828/338
Umbrella	1	725,000	500,000	4/2
Total	**31**	**109,450,109**	**99,453,000**	**1,331/576**

Contact

Connecticut Development Authority
Business Development Division
217 Washington Street
Hartford, Connecticut 06106
(203) 522-3730
Fax (203) 278-9494

Oregon Special Public Works Fund

Reference: *Revitalizing* (1989), page 118

Program Objective

The Oregon Special Public Works Fund (SPWF) provides grants and loans to rural and urban municipalities for public infrastructure necessary to support the creation or retention of jobs by business and industry.

Program Progression

Established by the legislature in 1985, SPWF uses state lottery funds to support job creation and retention through the expansion and improvement of public infrastructure. Program funding grew from $6 million in its first biennium to $15 million in the current cycle. At least one-third of the program's current

two-year budget is reserved for nonurban projects. Construction-project awards, distributed as grants and loans, may not exceed $1 million. The mix of grants and loans offered by the state depends on analysis of the applicant municipality's ability to repay a loan. The maximum loan term was raised from 20 to 25 years, with interest rates at 5 percent or more.

The program offers technical assistance grants of up to $10,000 to municipalities with populations under 5,000 to analyze engineering or financial feasibility of construction projects for which they intend to seek SPWF money. In addition to the original criteria, municipalities applying for help now must show that at least one-third of the jobs created or retained will provide a "family wage," which according to program rules is the average annual wage paid in the county in which the project is located. The jobs may be created or retained by either a private or public employer, although the program places high priority on businesses that bring "new" money into the state. Retail projects normally are not funded.

The Economic Development Department is preparing to expand SPWF through the sale of state revenue bonds; it is authorized to issue up to $80 million worth for infrastructure projects during the 1989 to 1991 biennium. Although applicants still must show pledges of at least $2 in other public or private money to match each SPWF dollar, the department recently opened the program to projects without a firm business commitment in hand that allow sewer, water, or transportation systems to accommodate increased economic growth. The expanded program began in fall 1990.

Program in Practice

As of March 1990, the SPWF program had more than doubled its allocations since 1988. Grants and loans total $31,657,874 for 105 projects, compared to $15,376,775 for 57 projects through March 1988. The average SPWF award has increased to $365,984 per project, compared with $270,000 per project in 1988.

According to annual economic benefit reports submitted by award recipients, SPWF supported the creation or retention of around 2,900 jobs from 1985 to mid-1989. The table shows recent results of the program in five cases. The first three projects are rural, the last two urban. Committed jobs figures are based on information provided in the application for each project.

Selected Recent Oregon Special Public Works Fund Projects

Location	Type of Infrastructure	Grants/Loans (in dollars)	Committed Jobs	Type of Business
Madras	Sewer, roads, storm sewer	476,141/495,612	230	Secondary wood product manufacturing
Harmiston	Sewer, road improvements	500,000/500,000	142	Food processing
Newport	Dock improvements	165,000/410,000	42	Fishing
Tualatin	Road & bridge improvements	0/1,000,000	120	Electronics mfg.
Portland	Sewer, transp. storm sewers	450,000/450,000	47	Automobile shipping

Contact

Oregon Special Public Works Fund
Community Development Programs Section
Oregon Economic Development Department
775 Summer Street N.E.
Salem, Oregon 97310
(503) 378-3732
Fax (503) 581-5115

5. Cooperative Research and Technology Centers Case Studies

During the 1980s, the focus of many local economic development strategies turned to "home-grown" private business and industry. States have supported these efforts by fostering the creation of centers that promote technology development and transfer. Economic growth clearly is the objective of these centers, which often are established cooperatively with local universities and private enterprise. They offer professional coordination or an administrative umbrella for activities in which research with commercial potential is refined and its findings or end products brought to market. Increasingly, these centers are helping to stimulate new applications of existing technology in companies that had no access to them previously. Centers also serve as a common meeting ground for investigators, private industry, and local development officials.

Most research and technology centers are less than six years old, yet many have made impressive contributions to state and local economies. They have brought new businesses, productive new partnerships, and economic diversification to numerous communities. They have been key players in technology-deployment activities, bringing established production processes to firms to improve their national and international competitiveness. In fact, technological modernization has become an important factor in rekindling economic growth in many areas; many small and mid-sized manufacturers have had difficulty in making the transition from traditional manufacturing methods to computer-based technologies.

About 40 states have set up such centers. They vary in terms of resources committed and ancillary services. The most popular model is the university-industry cooperative center. Some states support nonprofit research centers independent of academia that draw on university expertise but depend on private industrial clients for much of their support. Other states have adopted a hybrid approach, with a core research program linked to university interests and a small matching-grant component to support specific research projects that meet the R&D needs of smaller companies. Some center programs are more comprehensive than others, offering entrepreneurial services, support networks, other business-development incentives such as incubator space, and scientific and technical assistance. More aggressive centers take an active role in promoting and launching new enterprises that incorporate technological advances in products and processes developed within the center.

The technical focus of state-sponsored research and technology centers ranges from "lathes and grinders to programmable automation and time-sharing of super computers." Many, however, continue to experiment with traditional technologies such as welding and tool and die.[1] No preferred approach has yet emerged; states report success with several arrangements, including:

- research and development efforts in one industry, such as fiber optics biotechnology, or ceramics;
- comprehensive resources centers such as technology parks that link scientific and service networks; and
- one-stop advanced computer or technology centers offering prototype development and servicing a variety of business types and sizes.

Most state programs fit one of these three categories, helping to provide entrepreneurs and companies with a viable link between scientific research and economic development resources. The most

[1]Andrew W. Wyckoff and Louis Tornatzky, "State-Level Efforts to Transfer Manufacturing Technology: A Status Report," *Management Science*, Summer 1987, p. 12.

successful technology center programs--in terms of private financial leverage, new-product commercialization, or technology deployment--were tailored to meet the unique needs of the host state and build on inherent economic advantages. Ohio's Thomas Edison Program and Pennsylvania's Ben Franklin Partnership pioneered coordinated, broad-scale efforts to promote economic development through technological innovation. The Michigan Modernization Service typifies the new generation of comprehensive technology deployment initiatives, offering help in analyzing a company's production needs, installing new equipment, and training the work force in current production practices. Other states favor more basic program mechanisms to broker new and old technology, information, and expertise from diverse academic, governmental, and community resources to enhance business activity.

Ohio Thomas Edison Program

Reference: *The Guide* (1988), page 169

Program Objective

Ohio's Thomas Edison Program promotes technological innovation by offering financial support for collaborations between the state's business and educational communities.

Program Progression

The Thomas Edison Program remains largely unchanged and continues to promote the development of new technologies, products, and processes through the Edison Seed Development Fund, the Edison Technology Centers and Edison Incubators.

The Edison Seed Development Fund continues to offer two categories of grants ($10,000 to $50,000 and $50,000 to $250,000) to determine the feasibility and begin to develop specific products, processes, or systems that are headed for commercialization.

The eight Edison Technology Centers are independent organizations that link Ohio's top academic institutions with companies in research consortia to turn technological advances into commercial products and processes. The program has provided $2.4 million to $16.1 million to the individual centers. State investment has passed $90 million; industry has contributed $149 million to the centers, exceeding the dollar-for-dollar match that program rules require.

The Edison Program supports the five incubators currently in operation with an average two-year grant of $200,000, with a dollar-for-dollar match required. New businesses usually remain in an incubator from three to five years.

Program in Practice

The Ohio legislature has committed $100.7 million to the three components of the program which began in 1983; nearly 90 percent targeted to the Technology Centers. Program officials estimate that investment will rise to over $130 million by mid-1991.

As of fall 1990, the Edison Seed Development Fund had approved 152 projects supported by $18.5 million in private funds and $13.6 million in state funds. In 1990 alone, Edison officials approved 24 seed grants, all but three for $50,000 or less. These grants attracted more than $1.5 million in private investment.

- Neoprobe Corp. received $300,000 in 1984 to develop a procedure combining nuclear medicine and biotechnology to target suspected cancer cells for removal. Clinical trials showed an 80 percent success rate. The company is now seeking FDA approval of the antibody used in the procedure.

- The STERIS Corp. received two grants totaling $93,000 in 1988 and 1989 to develop a self-contained rapid-sterilization process for heat-sensitive medical instruments. STERIS' method is now used nationwide and in several foreign countries. Employment has risen to 65 from 18 since 1988.

- Hepar Industries received two grants totaling $249,000 from 1987 to 1989 to develop the oral form of heparin, an anticoagulant injected in persons recovering from surgery or suffering from cardiovascular disorders. Employment at Hepar has increased from 26 to 54.

Nearly 900 research projects have been completed at the eight Edison Technology Centers. In the last two years, over 550 companies have paid close to $9 million in membership fees and paid the centers another $7.5 million for specific research projects. Successful projects include development of software to analyze prototypes for a 34,000 pound iron piston and a polymer dressing that protects wounds and promotes healing. The capabilities of the Edison Centers helped the state win two major federal research centers, including a regional operation of the National Institute of Standards and Technology funded at $1.5 million annually for the next three years, and a Veteran's Administration Center of Excellence, which could bring nearly $30 million in federal and private investment in electrical technologies to Ohio over the next five years.

In 1990, the National Academy of Sciences evaluated the Technology Centers program, their first such review of this type of state initiative. The review committee wrote that the program "is making a significant and growing contribution to industrial competitiveness in the state" by fostering the commercial development of emerging technologies. The report concluded that "on the whole, the centers have given good value for the state's investment."

Forty-two companies had graduated from the Edison incubators as of 1990; they produce such diverse products as electric signs, strengthened polymer tops for furniture veneers, miniaturized probes for cancer testing, and X-rays for industrial machines. Net job creation by former and current incubator tenants is approximately 440 jobs.

Contact

Ohio Thomas Edison Program
77 South High Street
26th Floor
Columbus, Ohio 43266-0330
(614) 466-3887
Fax (614) 644-5758

Ben Franklin Partnership

Reference: *The Guide* (1988), page 174

Program Objective

Pennsylvania's Ben Franklin Partnership (BFP) encourages economic revitalization by sponsoring collaborative public-private efforts in research and development, education and training, and entrepreneurial development in advanced technologies.

Program Progression

The largest BFP program, the Challenge Grant Program for Technological Innovation, continues to support four Ben Franklin Technology Centers located in Philadelphia, Bethlehem, Pittsburgh, and University Park. The BFP board has asked the Technology Centers to become more active in regional economic development and adopt strategic technology-development plans. The state has evaluated the program, noting that the program "has reached a transitional point in its history" and suggesting several changes. The BFP board now requires the Technology Centers to be incorporated as private, nonprofit and independent corporations governed by their own boards composed of representatives of universities and at least 50 percent from the private sector. Centers are now allowed to make investments in companies with less than 50 employees without a university partner. Previously, partnership with a university was required for grant eligibility. Funds are now set aside to support worthwhile projects that come to light during the year. Formerly, all funds were allocated in July. State support for 1990-1991 reached $24.7 million.

The BFP, created by the legislature in 1982, funds the Small Business Research Seed Grant Program; it administers the Small Business Incubator Program, the Seed Venture Capital Fund, and the Engineering School Equipment Grant Program. Basic program criteria and activities remain the same. BFP also provides some financial support to the Pennsylvania Technical Assistance Program (PENNTAP), a long-time partnership between Penn State University and the Commonwealth's Department of Commerce that provides free professional services to state firms. For several years, BFP supported Pennsylvania's 14 Small Business Development Centers (SBDCs), federally assisted university-based centers that provide business-management assistance and advice to developing small businesses.

Program in Practice

From 1983 through the end of the 1991 budget cycle, the state invested over $180 million in BFP programs. By mid-1990, the Partnership had helped establish 609 new companies creating 4,162 jobs; added to those created at established companies, the total is 11,234. In fiscal 1989-1990, the program supported 25 new enterprises employing 175 persons. More than 700 jobs were created at existing firms that participated in BFP initiatives.

Ben Franklin Partnership Funding: Fiscal 1982 - Fiscal 1991
(state appropriations in thousands of dollars)

Type of Program	Fiscal 1982-83	Fiscal 1983-84	Fiscal 1987-88	Fiscal 1988-89	Fiscal 1989-90	Fiscal 1990-91
Challenge Grant	1,000	10,000	28,450	28,190	23,700	24,700
Seed Grant	--	312	1,000	1,500	1,000	1,000
PENNTAP	--[1]	--[1]	250	250	200	225
SBDC	--[1]	--[1]	250	1,080	--[1]	--[1]
Other	--	38	50	481	500	2,075
Total	**1,000**	**10,350**	**30,000**	**31,500**	**25,400**	**28,000**

[1]Funded other than through Ben Franklin Partnership.

From 1983 to 1988, non-state sources for the Challenge Grant Program contributed matching monies of over $402 million, including over $260 million from the private sector and over $73 million from universities. Through the Research Seed Grant Program, BFP has provided over $3.5 million to 109 companies with fewer than 50 employees. Through the Small Business Innovation Research Program, 83 awards totaling more than $9 million have enabled small firms to bid competitively on federal agency contracts. (See the description of Pennnsylvania Small Business Incubator Program for information on those projects.)

BFP, working with Penn State University and Ingersoll-Rand Corporation, created a training program to familiarize nearly 600 workers with new machinery and design innovation at the firms machinery plant in Athens. Working with the University of Pittsburgh and the Clark candy company, BFP modernized plant facilities, saving 100 jobs and creating 60 new positons. Ford Electronics and Lehigh University designed a automotive manufacturing plant in Lansdale, to which Ford committed $117 million, saving 2,400 jobs.

Contact

Ben Franklin Partnership
Pennsylvania Department of Commerce
464 Forum Building
Harrisburg, Pennsylvania 17120
(717) 787-4147
Fax (717) 234-4560

Rhode Island Partnership for Science and Technology

Reference: *The Guide* (1988), page 179

Program Objective

The Rhode Island Partnership for Science and Technology encourages economic development by promoting cooperation between businesses, universities, colleges, and hospitals on projects relating to science and technology, research, and new product development.

Program Progression

The Partnership continues to provide grants of up to 60 percent of the cost for applied research projects that strengthen the state's research capacity and development community, preserve and create jobs, and increase productivity. Basic program criteria remain essentially unchanged. Only expenses directly related to research and development are eligible for funding; production costs are not covered. All projects still must involve a minimum investment of $200,000, at least one for-profit commercial corporation, and at least one of the state's public or private colleges or universities, hospitals, or other nonprofit research institutions. The Partnership still is allowed to claim a royalty of 2 to 6 percent on all sales until its investment is paid back.

Program in Practice

Since it began in 1985, the Partnership has funded a variety of applied research projects with commercial potential. By mid-1990 one project was complete and six more were under way. With the help of $183,000 in Partnership funding, Brown University's Thin Film Lab and Tanury Industries, a jewelry

electroplating company, developed a technique to replace electroplating, a process that produces toxic wastes. The new process currently is being readied for commercial markets.

Contact

Rhode Island Partnership for Science and Technology
7 Jackson Walkway
Providence, Rhode Island 02903
(401) 277-2601
Fax (401) 277-2101

Ohio Technology Transfer Organization

Reference: *The Guide* (1988), page 181
Revitalizing (1989), page 92

Program Objective

The Ohio Technology Transfer Organization (OTTO) is a technology extension program that brokers information and expertise from diverse academic, governmental, and community sources to enhance business and industry in the state.

Program Progression

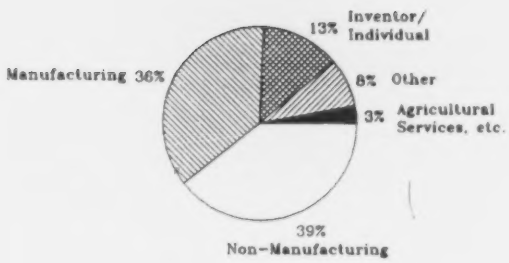
Chartered in 1979, OTTO continues to draw together resources from 23 two-year colleges, five universities, and the Ohio State University OTTO Research-Resource Office. OTTO services are delivered through a network of 34 field agents. Two environmental specialists were added recently to the program's technical staff, which already includes two business-management specialists and an engineering specialist. OTTO has maintained a special arrangement with the Aeronautical Systems Division at Wright-Patterson Air Force Base since 1984 to make unclassified information on its technologies accessible to state and local governments, educational institutions, and business. OTTO has made similar arrangements with the U.S. Environmental Protection Agency, the National Aeronautics and Space Administration, the National Institute for Occupational Safety and Health, and the National Institute of Standards and Technology. The OTTO budget for 1989 was $1.7 million.

Program in Practice

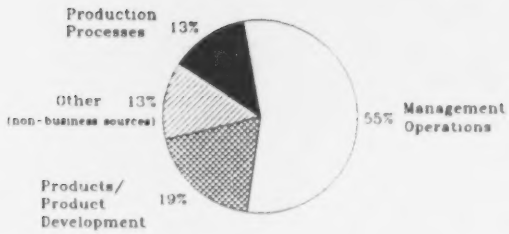
Since 1980, OTTO has responded to over 26,000 requests from Ohio businesses. Thirty-five percent of the inquiries come from industrial and manufacturing firms unable to solve technical problems. Requests for technical assistance have involved corrosion, energy, inventory control, local environmental regulations (including waste minimization and pollution prevention), welding procedures, laser-assisted quality control, computer-assisted manufacturing, production technologies, and materials engineering.

In 1989, OTTO agents addressed 4,096 requests, about one-third of which involved production processes or product development. OTTO helped to 2,765 Ohio companies; 97 percent of them employed fewer than 500 people, 70 percent employed fewer than 20, and over 40 percent fewer than five. More than one-third of these companies were manufacturers. Of these, metal fabricators represented the largest share at 25 percent, followed by makers of rubber and plastic, machinery, and electrical equipment, which accounted for another 33 percent.

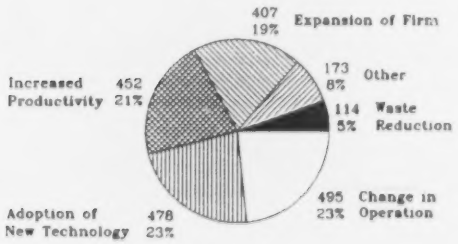
Clients



Type of Request



Types of Activity
(2,119 Changes in 1,225 Projects)


407 19% Expansion of Firm
173 8% Other
114 5% Waste Reduction
495 23% Change in Operation
478 23% Adoption of New Technology
Increased Productivity 452 21%

SOURCE: Ohio State University/OTTO Research-Resource Office, *OTTO 1989: A Report to the Network* (Columbus, Ohio, June 1990), pp. 1-2.

As a result of technical assistance from OTTO agents in 1989, client companies made 2,119 changes such as adoption of new technologies, different methods of operation, expansion of firm, increased productivity, market expansion, and/or product development. About one of every five requests for start-up assistance brought a company into existence, for a 1989 total of 164 new firms. Client companies also were able to create 1,620 new jobs and retain 1,484. OTTO agents helped them save 3,464 work days, as well as add more than $40 million to the Ohio economy from new product sales, market expansion, cost avoidance, and cost reduction.

Contact

Ohio Technology Transfer Organization
Division of Technological Innovation
77 South High Street, 26th Floor
Columbus, Ohio 43266
(614) 466-4286
Fax (614) 644-5758

Massachusetts Technology Development Corporation

Reference: *Revitalizing* (1989), page 67

Program Objective

The Massachusetts Technology Development Corporation (MTDC) provides capital to encourage entrepreneurs, support emerging-technology companies, and create new job opportunities in the state.

Program Progression

Created in 1978 to address a "capital gap" that often prevented promising enterprises from expanding beyond their early-stage operations, MTDC continues to provide a source of investment capital for new and expanding high-technology companies. Most MTDC projects are joint ventures with private investors; the typical MTDC investment ranges from $100,000 to $300,000. The program remains essentially unchanged.

Program in Practice

By the end of fiscal 1990, MTDC's total 12-year investment in new ventures was $14.7 million. Investments by major industry categories include the following.

Computer software and services	23%
Computer equipment and peripherals	21%
Industrial automation systems and equipment	18%
Telecommunications and data communications products and systems	12%
Biomedical products	10%
Material science and related systems	8%
Advanced defense systems and products	4%
Environmental management and analytic instruments	4%

The average investment in these companies as of June 1990 was $342,000 (including initial and subsequent rounds of financing), up from $310,000 in 1989. These funds leveraged more than $67.9 million from co-investors at the initial phase of financing. As of December 1989, the 41 active companies in which MTDC had invested employed over 4,400 people, up 700 from January 1989. This employment generated an annual payroll of over $162 million, federal tax revenues of the over $46 million, and state tax revenues of over $8 million. Some of the jobs are in emerging industries enhanced by the initial MTDC investment. Thousands of other jobs were created by firms that do business with MTDC-assisted companies.

MTDC Portfolio
(as of October 31, 1990)

Location	Company	Industry	MTDC Investment (in dollars)
Hudson	Amcard Systems	card reader/photo identification	200,000
Marlboro	Aseco	automation: semiconductor	400,000[2]
Cambridge	Aspen Technology	chemical process simulation	150,000
Franklin	Chromatic Technologies	speciality fiber optic cabling	259,000[1]
Lexington	CimTelligence	factory automation software	400,000[1,2]
Natick	College Counsel	educational information services	325,000[1]
Burlington	Digital Techniques	interactive video display systems	347,000[1]
Burlington	PowerSoft. Corp.	manufacturing software	300,000[1]
Boston	Fotec	fiber optic test equipment	325,000[1]
Boston	Harbor Medical	medical instruments	615,000[1]
Boston	Zoom Telephonics	telecommunications	275,000[1,3]
Wilmington	Graftel	CAD hardcopy device	375,000[1]
Wilmington	MicroTouch Systems	touch screen products	250,000
Wilmington	Proconics International	automation: semiconductor	150,000
Woburn	Icon	automation: factory	389,000[1]
Waltham	IMC Systems Group	import & export management software	431,000[1,2]
Waltham	Kronos	computerized timekeeping systems	200,000[2]
Waltham	Reflection Technology	ultraminiature optoelectronic displays	250,000
Waltham	Tytronics	industrial analytical measurement instruments	395,000[1]
Concord	IVS	semiconductor inspection system	500,000[1,2]
Milford	Laser Engineering	laser technology	279,000[1]
South Deerfield	Millitech	millimeter/submillimeter components	350,000[1]
Lynnfield	MultiLink	teleconferencing systems	550,000[1]
Peabody	Optical Micro Systems	ophthalmic instruments	237,000[1]
Chicopee	PracTek Associates	educational communications	328,000[1]
Chelmsford	SKY Computers	array processors	459,000[1,2]
Chelmsford	Voicetek	voice storage/retrieval computers	746,000[1,2]
Newmarket, NH (formerly Newburyport, MA)	Vitronics	infra-red technology	100,000[3]
Canton	XRL	automation: semiconductor	500,000[1]

[1]Includes subsequent rounds of MTDC investment.
[2]Includes PRIT funds.
[3]Publicly traded company.

Several companies helped by MTDC have become successful enough to become publicly-traded or desirable enough to be acquired by other enterprises. These include Access Technology in Natick, a business-software company acquired by H&R Block; Interleaf in Cambridge, a publishing-software company; and AMDEV in Danvers, a manufacturer of medical instruments acquired by Baxter Healthcare.

Contact

Massachusetts Technology Development Corporation
131 State Street
Boston, Massachusetts 02109
(617) 723-4920
Fax (617) 723-5983

Missouri Corporation for Science and Technology

Reference: *Revitalizing* (1989), p. 122

Program Objective

The Missouri Corporation for Science and Technology (MCS&T) was established in 1983 to strengthen the state's economy by fostering the development of Missouri-based science and technology.

Program Progression

MCS&T continues to coordinate the state's four innovation centers and three centers for advanced technology. The innovation centers, located in St. Louis, Kansas City, Columbia, and Rolla are in their fifth year of operation. They continue to provide support and assistance to entrepreneurs involved in introducing products and processes to the market. The centers function as a type of business incubator, providing low-cost space and shared administrative and technical services, as well as managerial, financial, and other help to new firms. Emphasis is given to the needs of firms in advanced technology fields.

The three Centers for Advanced Technology, established in 1986, conduct basic and applied research aimed at commercializing new technologies: the Center for Plant Biotechnology at Washington University in St. Louis, the Manufacturing Research and Training Center at the University of Missouri in Rolla, and the Center for Telecommunications and Computer Networking at the University of Missouri in Kansas City.

Program in Practice

During fiscal 1989, client companies of the four innovation centers provided 1,051 jobs with an annual payroll of about $12.9 million; their annual sales are estimated at $35.4 million. The overall economic benefit to Missouri that year from the clients of the four centers was about $23.5 million. The three Centers for Advanced Technology have received in excess of $3 million in state funds, as well as private funding in excess of $5 million.

The Center for Business Innovation in Kansas City helped Primus Corporation negotiate a letter of intent with the local branch of a venture capital company for $1 million of the company's preferred stock and obtain a grant of over $140,000. It also helped Primus with a $258,000 common stock offering.

Working with the University of Missouri-Kansas City, Primus is developing an automated blood testing instrumentation based on advanced chemical-measurement technique.

The Missouri Enterprise Business Assistance Center in Rolla helped 40 projects in 24 communities in 1989. The Center helped Alliance Semiconductor Corporation begin operation in AT&T's vacant semiconductor manufacturing facility; the company is expected to employ 1,200 workers with a payroll of over $24 million. The Center also has become a partner in the Missouri Venture Partners Guaranty Fund, which provides up to 100 percent guarantees on commercial loans financing the capital needed by new businesses to fulfill sale contracts.

Innovation Centers Client Performance and Economic Benefits: 1989

Annual sales forecast for all client companies	$35.4 million
Annual payroll for all client companies	$12.9 million
Total economic benefit to the state[1]	$23.5 million
Employment from projects of client companies	1,051 jobs

[1]Missouri Department of Economic Development Tax Benefit Programs

SOURCE: Missouri Corporation for Science and Technology, *1989 Annual Report* (Jefferson City, Mo., 1990), p. 15.

Since they began in 1986, the three centers for advanced technology have received more than $3 million in state funds and more than $5 million in private funds.

Contact

Missouri Corporation for Science and Technology
P.O. Box 118
Jefferson City , Missouri 65102
(314) 751-3906
Fax (314) 751-7384

6. Trade Case Studies

In the last decade, economic development officials in most states have become increasingly aggressive in promoting business in the international marketplace. State governments sponsored many international marketing and foreign trade activities, outpacing federal efforts. Location of new markets for existing industries can help them stabilize their economic bases. Beside stimulating creation of new jobs, increasing community disposable income, and other economic benefits, state and local leaders use trade initiatives to help languishing industries or specific companies adjust to declining domestic demand or loss of competitive advantage in local or regional domestic markets. Export promotion offers important local-level opportunities to increase economic activity and generate revenues in ways that do not compete or interfere with those already underway in a given community.

The U.S. Department of Commerce's International Trade Administration estimates that each job generated by export-producing industries leads to two jobs in supporting capacities.[1] Companies that expand production to serve foreign clients, for example, also are likely to increase their own demand for services such as freight-forwarding, banking, insurance, ports, and transportation. This activity, in turn, creates more jobs. Therefore, trade development offers a tremendous opportunity to stimulate employment and economic growth.

According to the National Governors' Association, states spent more than $39 million on trade promotion in 1986--more than the U.S. Department of Commerce spent. Each of the 50 states makes at least a small effort; some have substantial programs, staffed by dozens of professionals. Twelve states spent more than $1 million on trade-related activities and four--Illinois, New York, Ohio, and California--spent at least $2.5 million.[2]

Trade programs aim to encourage greater levels of exports by bringing new firms into the foreign-trade process, often small and medium-sized companies unable to mount their own international efforts. Although such companies often have an exportable product or service, they lack either the technical and managerial expertise to trade internationally or the cash to get through the export process. State-level efforts can overcome these roadblocks while yielding important benefits in terms of increased local economic activity. In testimony before the House Small Business Committee, the president of the American Business Conference stated that smaller companies may be better able than large ones to meet the challenges of the international marketplace, as these companies often are best positioned to respond to shortened product development cycles and niche marketing.[3]

Because the existing and potential export base of each state is different, their initiatives vary. Nearly all of these efforts, however, fall into one of the following categories:

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[1]Charles Bartsch, editor, *The Guide to State and Federal Resources for Economic Development* (Washington, D.C.: Northeast-Midwest Institute, 1988), p. 141.

[2]Marianne K. Clarke, *Revitalizing State Economies*, p. 83.

[3]Bruce K. Mulock, *Small Business in the U.S. Economy: Selected Congressional Oversight and Initiatives* (Washington, D.C.: Congressional Research Service, January 16, 1990), p. 9.

- all states offer some type of counseling, marketing seminars, informational conferences, and other technical assistance activities, often aimed at new or small exporters (more than 80 percent of all state trade resources are earmarked for this type of activity);

- more than 40 states organized trade missions in 1990 designed to introduce prospective foreign purchasers to home-state sellers;

- 37 states operate export-promotion offices abroad to identify and contact likely customers and develop trade leads for companies in the state; and

- fewer than a dozen offer financial assistance, usually in the form of guarantees of private underwriting or advocacy with financial institutions.

Minnesota's Export Finance Authority is one of the most noteworthy state programs to increase business development and investment activities related to export; launched in 1983, it was the nation's first program to provide pre-export and post-export financing assistance to small and medium-sized companies. California's Export Finance Program increases smaller firms' access to capital for trade-related production by offering loan guarantees plus credit and finance information for pre- and post-export activities. Other state initiatives match exporters with financiers and credit insurance organizations, help with loan packaging, and broker other business services to exporters.

Minnesota Export Finance Authority

Reference: *The Guide* (1988), page 195
Revitalizing (1989), page 32

Program Objective

The Minnesota Export Finance Authority (MEFA) provides pre-export and post-export financing assistance to small and medium-sized businesses wishing to enter and compete in overseas markets.

Program Progression

MEFA's Working Capital Loan Guarantee Program, which enables financial institutions to provide funds to exporters with minimal risk, issued nine guarantees for $1.6 million in fiscal 1990. In 1988, 65 percent of MEFA-supported exports were manufactured products and 35 percent were agricultural goods. In 1989, the portions were 80 percent and 20 percent, respectively. This shift resulted from a dramatic increase in export-related manufacturing in Minnesota during the past two years.

MEFA holds an "umbrella insurance policy" with the Foreign Credit Insurance Agency (FCIA is a branch of the Export-Import Bank) which protects small exporters against potential foreign buyer default. MEFA now works with American Credit Indemnity (ACI), to provide credit insurance in select countries. MEFA's relationship with this private-sector insurance program began in 1989 when FCIA was inactive because of various limitations in the program. The ACI alternative, however, was well received; it approved three exporters and insured $1.2 million of credit sales. These group policy arrangements make premiums affordable to small exporters and allows MEFA to help with the documentation and approval processes. MEFA also continues to administer an agency liaison program and a counseling and training program.

Program in Practice

The nation's first state export-finance program, the MEFA "model" has been adopted or studied by 14 other states. In fiscal 1989, MEFA supported $5.4 million in exports through its four programs. Since its creation in 1983, MEFA has approved 48 pre-export loan guarantees supporting over $15.7 million in exports, including $4.3 million in fiscal 1988 and $2.8 million in fiscal 1989. Through its counseling and liaison programs, MEFA has helped over 200 companies sell their goods to foreign markets.

Minnesota Hardwoods Inc., located in the small town of Courtland, first received help in 1985 to finance a $50,000 export of logs through a MEFA loan guarantee. MEFA has since approved nine more loan guarantees, supporting $1.4 million in lumber exports. When the company outgrew MEFA's statutory loan-guarantee maximum of $250,000 per borrower, MEFA helped it get a guarantee from the Export-Import Bank. The company's overall sales increased 230 percent from 1986 to 1989. Its international sales alone rose from $600,000 in 1986 to $3.7 million in 1989.

Contact

Minnesota Export Finance Authority
Minnesota Trade Office
1000 Minnesota World Trade Center
30 East 7th Street
St. Paul, Minnesota 55101
(612) 297-4222
Fax (612) 296-3555

New Jersey Division of International Trade

Reference: *The Guide* (1988), page 196

Program Objective

The New Jersey Division of International Trade sponsors a range of programs aimed at increasing the export of New Jersey products and services.

Program Progression

Division programs that offer guidance to business owners and operators on such topics as export marketing, financing, and customs regulations continue essentially unchanged. There have been no significant program modifications. Trade specialists are available to give individual help in technical matters such as acquiring insurance, financing exports, meeting foreign documentation requirements, securing letters of credit and handling freight forwarding.

Program in Practice

The division continues to promote the export of goods and services produced in New Jersey through counseling, an international trade fair program, buying missions, a trade newsletter, a network of foreign trade zones, and a referral service that directs potential exporters to help available from other sources in the state. The division still works with the Division of Economic Development to provide advice on marketing, financing, and government regulations to foreign companies interested in moving to the state.

Through its trade shows, the division generated 4,719 leads for 87 companies in fiscal 1988; 5,225 leads for 142 companies in fiscal 1989, and 3,415 leads for 72 companies in the first half of 1990.

Contact

New Jersey Division of International Trade
4 Gateway Center, 10th Floor
100 Mullberry Street
Newark, New Jersey 07102
(201) 648-3518
Fax (201) 623-1287

Iowa Export Trade Assistance Program
(formerly the Iowa Export Finance Interest Buydown Program)

Reference: The Guide (1988), page 198

The Iowa Export Trade Assistance Program (ETAP) provides financial help to Iowa-based firms to expand their overseas markets by participating in international trade missions and trade shows.

Program Progression

ETAP has evolved from the Iowa Export Finance Interest Buydown Program, which provided interest buydown payments reduce the cost of exporting for Iowa firms. In spite of the program's attractiveness to exporters, it lacked the potential to become self-sufficient, leaving it dependent on periodic state funding allocations.

In 1989 the legislature created the Export Trade Assistance Program to provide Iowa firms with a relatively low cost way to explore new export markets. Approximately $400,000 in financial assistance is available each year.

ETAP, administered by the Iowa Department of Economic Development (IDED), pays 75 percent of a company's expenses up to $5,000 per event, including: space rental; booth construction and design; equipment rental; freight costs of exhibit materials; per diem for one employee; and participation fees for trade missions sponsored by the U.S. Department of Commerce or IDED.

ETAP is available to companies with corporate offices in Iowa that employ fewer than 500 individuals and produce goods or services in the state. To receive assistance, applicants must exhibit products, services, or samples of Iowa manufactured, processed, or value-added products at a foreign trade show or trade mission; have at least one employee or sales agent attend the show or participate in the trade mission; and complete the ETAP application form and return it to the International Bureau of IDED prior to participation.

Program in Practice

During the first year for the revived program, the department issued 92 contracts for companies to participate in 68 different trade events. Results included 6,360 trade leads, $3.75 million in actual sales, with another $33.85 million in expected sales. In fiscal 1990, 86 contracts were issued for participation in 68 different trade events. Nearly half the participants were exploring foreign business opportunities for the

first time. Companies reported trade leads that resulted in $4.7 million in sales at the events and an additional $24.4 million in sales since the events.

Contact

Iowa Export Trade Assistance Program
International Bureau
Iowa Department of Economic Development
200 East Grand Avenue
Des Moines, Iowa 50309
(515) 281-6295
Fax (515) 281-7276

California Export Finance Program

Reference: *The Guide* (1988), page 199

Program Objective

The California Export Finance Program (CEFP), a unit of the California State World Trade Commission, aims to increase the volume of the state's exports by providing its small and medium-sized businesses with financial help and information leading to loans they would not be able to obtain on their own.

Program Progression

The program continues to guarantee loans for export-related purchases and helps exporters negotiate financing. Typically, CEFP issues preliminary commitments to exporters to give them support in their discussions with prospective lenders. The lenders then apply to CEFP for a binding guarantee.

2 The state has increased the loan-loss fund that backs CEFP guarantees from $2 million to $5 million since the program began in 1985. The borrower's fee for guarantee services usually is 1 to 1.5 percent of the guaranteed amount. The guarantees are now offered in three forms.

- Pre-Shipment Exporter Risks Guarantees now cover up to $500,000 or 85 percent of a pre-shipment capital loan. The maximum term for these loans is 360 days.
- Post-Shipment Exporter Risks Guarantees give foreign buyers easier access to credit for the purchase of California goods. This program now guarantees $500,000 or 85 percent of the loan amount with a limited term of 180 days.
- Combination Exporter Risks Guarantees are used when the exporter desires both pre-export and post-export financing with a term of up to 18 months (but usually only for one year).

California Export Finance Program Cumulative Report: November 1986-May 1990
(in dollars)

	Loan Guarantees		Export Sales Supported		Preliminary Commitments		Assists	
	10/86	5/90	10/86	5/90	10/86	5/90	10/86	5/90
Industry								
Export Trading Co.	1,093,779	10,680,915	6,534,951	70,524,905	1,207,854	12,404,490	2,509,000	1,173,441
High Tech	815,204	10,668,166	3,176,551	48,309,224	1,566,203	18,940,048	1,759,687	5,462,787
General Manufacturing	965,200	14,200,079	1,840,730	51,436,451	965,200	17,630,528	315,000	2,228,600
Food & Agriculture	111,350	5,560,958	175,000	31,466,516	281,350	6,784,958	250,000	1,930,672
Aerospace	--	1,247,781	--	4,497,398	--	2,157,281	--	101,191
Services & Manufacturing	119,000	1,679,055	350,000	5,301,541	119,000	2,316,555	180,000	180,000
Destination								
Asia	2,207,133	21,363,055	5,590,875	118,577,941	2,907,132	27,222,462	3,054,000	4,592,313
Europe	265,200	9,644,687	475,350	39,476,788	435,200	16,036,111	1,759,687	3,936,937
Latin America/Caribbean	163,200	1,964,575	349,810	8,130,675	163,200	3,704,325	200,000	330,000
Africa	--	1,534,574	--	8,818,276	114,075	1,776,149	--	0
Middle East	469,000	4,935,141	5,661,197	20,607,123	520,000	6,734,141	--	978,650
Canada	--	2,733,929	--	5,362,108	--	2,793,429	--	1,238,791
Australia/N. Zealand	--	1,860,933	--	11,063,124	--	1,967,243	--	0
California Regions								
Northern California	--	85,000	--	400,000	--	1,132,000	--	1,148,872
Bay Area	840,922	9,725,739	6,183,307	47,632,188	1,190,921	13,734,458	4,032,687	7,037,719
Central Coast	--	1,136,250	--	5,883,478	170,000	2,466,750	--	0
Central Valley	811,350	3,148,438	1,429,068	12,807,572	811,350	3,148,438	566,000	566,000
Los Angeles Megapolis	718,061	20,957,243	1,589,507	102,352,233	1,233,136	27,784,455	215,000	1,425,000
Orange County	*	3,279,057	*	15,041,014	*	4,991,632	*	485,400
Inland Empire	243,950	889,950	336,990	1,737,685	243,950	1,217,350	200,000	200,000
San Diego & Imp. Co.	490,250	4,815,277	2,538,360	26,181,865	490,250	5,758,777	--	213,700
Total Participating Businesses	20	219			25	289	9	29
Total Dollars	3,104,533	44,036,954	12,077,232	212,036,035	4,139,607	60,233,860	5,013,687	11,076,691

*Orange County statistics were not included in 1986 report.

Program in Practice

The total export sales supported by CEFP rose over $200 million from October 1986 to June 1990. The cumulative report shows tenfold plus increases in loan guarantees, preliminary commitments, and export sales supported in each industry, destination, and state region. The program helped open new markets in Africa, Canada, and Australia/New Zealand. Export sales for the northern and central coast regions of California are at unprecedented levels. The information-assistance program also has produced significant results, including a 100 percent increase in export-sales support.

Contact

California Export Finance Program
California World Trade Commission
107 South Broadway, Suite 8039
Los Angeles, California 90012
(213) 620-2433
Fax (213) 620-6102

Illinois Export Development Authority

Reference: *The Guide* (1988), page 202

Program Objective

The Illinois Export Development Authority (IEDA) provides pre- and post-shipment export financing to small and medium-sized businesses located in the state.

Program Progression

The program has not changed significantly since it was created in 1983. Approved exporters are still eligible to receive 90 percent financing of the invoice value of each transaction; the maximum is now $556,000, up from $500,000, outstanding at any one time. IEDA will now finance 81 percent, at a fixed rate. The participating bank loans the remaining 9 percent at its interest rate. The resulting blended interest rate usually is no more than 1 to 1.5 points above the prime lending rate and generally is lower than conventional underwriting of the entire amount.

Program in Practice

The Authority's primary focus is export financing. To be eligible, export transactions must have at least 25 percent of the final value added to the product, exclusive of mark-up or profit, in Illinois. Over the past four years IEDA has extended $7 million to finance over 160 loans.

IEDA publishes a quarterly newsletter for state businesses entitled "Passport" that covers an array of topics on exporting. IEDA also provides educational seminars and assistance on various aspects of exporting.

Contact

Illinois Export Development Authority
321 North Clark Street
Suite 550
Chicago, Illinois 60610-4714
(312) 793-4984
Fax (312) 793-4979

Washington IMPACT Center

Reference: *The Guide* (1988), page 203

Program Objective

The International Marketing Program for Agricultural Commodities and Trade (IMPACT) Center conducts research and funds short-term projects to generate effective solutions to international marketing problems and improve the profitability of the state's agricultural exports.

Program Progression

The IMPACT Center's annual budget has doubled from approximately $750,000 during its first biennium (1985-87) to $1.5 million during the 1989-91 biennium. This increase came largely from federal matching grants for International Trade Development Centers authorized by the 1985 Food Security Act; these totaled about $1.1 million. The Center's state funding rose from $1,097,000 in 1985-87 to $1,193,000 in this period; it also received a 40 percent increase in supplemental funding from private sources, about $500,000 to $700,000.

Program in Practice

The IMPACT Center continues to support Washington's competitive edge in world agricultural markets by providing practical solutions to marketing-related problems, disseminating international marketing information to state exporters, and introducing new products that could be marketed in foreign countries. Agricultural exports from Washington state average approximately $1 billion per year, one-quarter of its total agricultural production.

Contact

IMPACT Center
College of Agriculture and Home Economics
Washington State University
104 Hulbert Hall
Pullman, Washington 99164-6214
(509) 335-6653
Fax (509) 335-3958

7. Training Case Studies

Labor is the most important factor of production in nearly all types of businesses and industries. Many localities face shortages of skilled labor that affect their potential for economic growth. According to *Business Week*, a slower rate of population growth will result in a period of "labor scarcity" lasting into the 21st century, a situation that will be exacerbated by a growing mismatch between the skills that workers have and the skills that companies need.[1] In some places, workers are available but cannot meet the skill needs of prospective employers. Older, inner-city neighborhoods with large migrant, minority, or economically disadvantaged populations often experience this problem. It is also becoming more common in areas witnessing technological changes in traditional manufacturing processes that alter the employment prospects of long-time blue-collar workers.

Many companies will not invest, expand, or modernize if they find the local work force incapable of staffing or servicing facilities or operating product lines. Training programs, therefore, occupy an increasingly important place in economic development strategies. Technology and literacy requirements are changing with the transformation of regional and community economies. Both the public and private sectors must now respond to new, often unexpected, and substantially different demands for job skills and related education, training, and social services. While changing public and private roles in investment and job creation have complicated economic development strategy-making, they also have created new opportunities to tie development and jobs together. Training programs can be included easily with other incentives in a comprehensive package tailored to the needs of new, diversifying, or expanding companies. More important in many jurisdictions, they can be persuasive in business-retention efforts.

The offer of training services to prospective or expanding employers can be a pivotal economic development incentive, especially in attracting or spawning smaller or new firms. The popularity of training programs lies in their versatility; all types of workers, from computer technicians in Minnesota to robot operators in Michigan, have gone through state and locally sponsored training programs.

In many states, the federal Job Training Partnership Act (JTPA) funds most of the programs. Nearly 40 states, however, have established creative training programs to complement JTPA offerings. They help specific labor-force segments or address work-force preparation needs not covered by JTPA. Southern states were among the first to work directly with employers to structure customized training programs on a large scale; these programs have become a key element in southern business-attraction strategies, boosting economic investment and job opportunities in many communities. Other states target their efforts to a specific work-force constituency, such as dislocated workers or welfare recipients. Most state programs fall into three categories:

- customized or employer-specific training aimed at specific industries and employers or certain classifications of jobs within these industries or companies;
- joint public-private programs that provide incentives for businesses to retrain current workers (or those recently unemployed) or upgrade their skills; and
- entrepreneurship training.

[1] *Business Week*, "Help Wanted," August 10, 1987, pp. 48-49.

Customized training and public-private training partnership programs are well established in many states, where they have played an important part in local economic development activities. Entrepreneurship training and related technical assistance for persons launching their own enterprises is growing in popularity; it mirrors increasing state and community efforts to develop jobs and economic opportunities by nurturing small-business formations. Some of the first efforts of this type took place in predominantly industrial states and were directed at dislocated manufacturing workers with virtually no chance of resuming their former occupations. Generally, entrepreneurship training programs provide classroom instruction in basic business skills and frequently include internships with existing businesses to ease the transition to self-employment. They emphasize small-business management techniques, such as inventory control and accounting, and make the writing of a usable business plan the focal point of their curricula. Trainees are often introduced to marketing research, financial projections, advertising, and other elements related to that plan.

California Employment Training Panel

Reference: *The Guide* (1988), page 212

Program Objective

The California Employment Training Panel (ETP) funds customized job training for unemployed workers or those in danger of being laid off within two years in order to help California businesses manage change and train workers for long-term job security.

Program Progression

The panel receives $55 million annually plus interest and carryforward to fund retraining programs for unemployed or potentially displaced employees in businesses facing change or expansion, and those relocating in California. Funding for ETP continues to be generated through a state employment training tax paid by employers. Becasue federal Unemployment Insurance (UI) funds cannot be used for training, the legislature lowered the state portion of UI taxes paid by employers and imposed this new, equivalent tax for training when the panel was established in 1983.

New legislation gave high priority to helping small businesses. Although many small firms have contracted for training directly with ETP, consortia arrangements have proven most successful in reaching small businesses. With consortia, the actual contractor may be a community college, a training agency, or trade association. The contractor is responsible for preparing the budget, developing the curriculum, training schedule, selecting trainers, and administering the contract. One such consortia-type contract can benefit hundreds of employers, large and small, who have similar training needs. This type of training contract is particularly beneficial to employers who may have only two or three employees to train.

For fiscal 1990-91, ETP plans to allocate its funds to the following training categories: new hire/receipt of layoff notice, 15.6 percent; small business projects, 20 percent; retraining program, 20 percent; interagency referrals, 8 percent; California supplier improvement plan (CalSIP), targeted to the aerospace industry, 20 percent; upgrade training, 2.7 percent; demonstration projects 2.7 percent; training newly legalized citizens, 6 percent; plant closures, 5 percent.

Program in Practice

By June 1989, the panel had committed $166 million for 911 projects to train people for new jobs. The demand for ETP funds has increased steadily over the years creating a backlog in 1990. In fiscal 1989-1990, ETP funded 187 training contracts for 33,228 workers. Nearly 51 percent of the training programs were carried out for manufacturing companies; 35 percent helped trainees in the financial, real estate, and service sectors. An analysis of projects completed in that year showed that 73 percent of participants who completed training (about 63 percent of those enrolled) were in jobs that met the standards of the contract. Their average pay after training was $9.34 per hour.

ETP has received broad support from businesses and unions. It often funds joint union and employer ventures. An example is the panel's contract with a San Francisco roofing contractor and a roofers union. A new, one-ply roofing system, introduced from Europe, had forced changes in the industry. Working with the panel, the contractors and two local unions retrained roofers in the new technology. This cooperation allowed contractors such as Lawson Roofing Co., a San Francisco business doing commercial buildings and some residences, to bid on more jobs and for roofers to work more months of the year.

Armstrong Tire Company, the largest employer in Hanford, and other tire makers have been hurt by competition from imports and a softening in the overall market for tires. In 1985, workers were informed that the plant would probably close unless a significant cost-reduction package could be negotiated. The United Rubber Workers Union agreed to wage concessions as part of the plan to keep the plant open, while Armstrong installed new quality-control and management-information systems. ETP funded training for 513 manufacturing and administrative staff. Armstrong's comptroller states that the training helped the plant reduce its costs by 30 percent and improve production by 40 percent. The company has expanded its operation instead of closing, and is now exporting all-weather tires to Japan.

Employment Training Panel Projects and Placements: Fiscal 1983 - Fiscal 1989

Project Recipients	Project Funds (in millions of dollars)	Projects	Retrainees	New Hires	Average Cost Per Trainee (in dollars)
Construction	2	39	803	70	1,799
Manufacturing	87	443	27,147	4,074	2,772
Transportation and communication	6	38	2,611	111	2,147
Finance, insurance, and real estate	25	107	13,660	144	1,844
Retail	20	68	9,423	720	1,983
Services	24	178	9,465	1,613	2,177
Miscellaneous	2	38	797	196	2,355
Total	**166**	**911**	**70,834**	**6,928**	**2,343**

Contact

California Employment Training Panel
800 Capitol Mall, MIC-64
Sacramento, California 95814
(916) 324-3615
Fax (916) 322-3110

Illinois Prairie State 2000 Programs

Reference: *The Guide* (1988), page 215

Program Objective

The Prairie State 2000 Authority supports job retention by giving financial help to companies and individuals to undertake retraining as part of new technology installations or productivity improvements.

Program Progression

The agency, which is entirely state funded, promotes research and development as well as underwrites training operations. Prairie State 2000 had a fiscal 1989 budget of $3 million, $1.7 million of which went to two training initiatives. Its ETAP program continues to give grants or loans to companies putting in new technologies or improvements to productivity; those operating at a loss where retraining would save jobs; and those operating profitably but reinvesting capital into the business. The ITAP program still offers training vouchers to unemployed persons on UI and employed workers if they prove a need for retraining to keep their jobs.

Program in Practice

Prairie State 2000 has helped pay for retraining almost 24,000 workers since the program began in 1986. In fiscal 1989 the authority made 59 ETAP awards worth $1 million; 54 of the recipients were manufacturing companies. They used all the funds for training current employees in new technologies or for productivity improvements. For every dollar spent by the agency, companies spent an average of $8 in real wages and training costs. Awards ranged from $600 to $50,000.

A $21,945 ETAP grant enabled H.C.C. Inc., a farm-implement manufacturer in Mendota to retrain 195 production workers and managers in productivity-improvement systems such as statistical process control and just-in-time inventory. The company has seen a dramatic increase in sales as a result.

ITAP gave 1,500 vouchers for training worth $682,000. Over three-quarters of these vouchers went to unemployed people. Vouchers typically were spent on training at community colleges or programs organized by trade unions. Members of a local plumbers and pipefitters union in Decatur received funds for retraining in mechanical and pneumatic instrumentation. Several of the trainees who received certification were hired at a nearby nuclear power plant.

Contact

Prairie State 2000 Authority
State of Illinois Center
Suite 4-800
100 West Randolph Street
Chicago, Illinois 60601
(312) 814-2700
Fax (312) 814-2703

Bay State Skills Corporation

Reference: *The Guide* (1988), page 218

Program Objective

The Bay State Skills Corporation (BSSC) provides grants to educational institutions that form partnerships with businesses to train individuals to fill the specific skilled-labor needs of the state's high-growth industries.

Program Progression

Created by the state legislature in 1981, BSSC continues to administer three separate programs: industry responsive training, training for welfare recipients, and the Bay State Centers for Displaced Homemakers. Annual appropriations and subcontract arrangements provide BSSC with an annual budget of $5.5 million.

The industry responsive training program remains essentially unchanged. BSSC continues to provide grants of up to $200,000 per project to educational institutions that work with businesses to train individuals for specific positions. Participating firms must match BSSC grants on a 50/50 basis. They usually provide equipment and materials, curriculum development services, guest instructors, facilities tours, and other in-kind contributions. The business' share may include wages paid to employees for on-the-job training.

BSSC continues to administer ET CHOICES, a training program for welfare recipients. Funding from the Department of Public Welfare allows BSSC to support partnerships between education and industry on an 80/20 basis; industry contributes 20 percent of training costs. BSSC has sponsored innovative model training programs to prepare welfare recipients for careers as property managers, day-care workers, mental health/mental-retardation specialists, and legal secretaries. The state covers $14,000 to $15,000 of the $20,000 cost of each course. Charges for the one-to-three week courses usually are under $100 per person. BSSC assistance for each of the five displaced-homemaker centers, has increased from $180,000 in 1986 to $250,000 in 1990. Private contributions to the centers range from $3,000 to $70,000. BSSC now funds 20 satellite offices statewide providing counseling, referrals and other services to almost 2,500 women each year.

In 1990 BSSC began a comprehensive training program as part of a larger effort to encourage international trade in the state's products and services. BSSC developed a database on the capabilities of 250 companies and educational institutions on export-related training. In Fall River, BSSC funded a public-private partnership to recruit representatives of 30 local companies to prepare for trade talks with

delegations from Canada and Portugal--essentially to teach them how to export. BSSC also is working with the Furniture Manufacturing Association in Gardner in a similar effort to promote exports to Japan.

Program in Practice

As of mid-1990, BSSC had awarded 558 grants totaling $35.5 million to more than 200 educational institutions statewide. BSSC-funded partnerships have trained over 36,000 people and placed 84 percent of the trainees into full-time employment. Businesses have contributed $27.5 million in matching funds to the programs (see the accompanying table for details).

In a typical industry responsive 50/50 match training program, Genetics Institute, Biogen, Hygeia Sciences, Damon Biotech, Water-Millpore and ten other biotech companies donated time, equipment, and materials to Tufts University, enabling it to develop a curriculum in biotechnology process development for undergraduates. BSSC recently contributed $62,000 to the project, which was matched by company contributions valued at over $100,000. Since 1983, BSSC has invested over $1 million in biotechnology training. Over 95 companies have matched these funds with contributions valued at more than $1.5 million to train 575 individuals. The number of Massachusetts biotechnology companies has grown from 26 in 1983 to 76 in 1989.

In a recent ET CHOICES project, the YWCA of Central Massachusetts in Worcester trained 22 welfare recipients to be third-party coders and billers and medical-office managers. The YWCA received $65,229 from BSSC and over $25,000 in-kind contributions including supervised internships, lectures, and tours from five area hospitals and companies that later hired the graduates.

Bay State Skills Corporation
Contract Awards and Private Sector Match: 1982 - 1990
(in dollars)

Year	BSSC Contract Award	Private Sector Match
1982	1,476,789	2,021,940
1983	4,847,465	2,848,136
1984	5,193,971	3,464,950
1985	4,457,334	3,753,157
1986	4,872,703	4,379,996
1987	3,314,710	3,562,728
1988	3,946,191	3,826,456
1989	3,463,628	1,384,993
1990	3,974,410	2,271,663
Total	**35,547,201**	**27,513,919**

Contact

Bay State Skills Corporation
101 Summer Street, 2nd Floor
Boston, Massachusetts 02110
(617) 292-5100
Fax (617) 292-5105

Georgia Quick Start Program

Reference: *The Guide* (1988), page 220

Program Objective

Quick Start provides complete training services to companies opening new facilities in Georgia or expanding their operations.

Program Progression

Begun in 1967, Quick Start is one of the nation's longest running training programs. The program originally offered training only to manufacturing companies, but the growth of Georgia's service industry led to the inclusion of those operations. Quick Start has trained personnel for financial institutions and distribution centers; such companies require employees with specialized skills not readily available in the work force. Services are provided at no cost to companies.

Recently Quick Start began the Certified Economic Developer Trainer Program. Its purpose is to assure businesses, industries, and industrial developers that certified trainers always are available through one of Georgia's technical institutes or Quick Start to deliver high-quality training services. Thirty-eight technical school and Quick Start personnel were selected to participate. They completed a rigorous two-year program that included analysis of training needs, development of detailed training plans, and ability to offer industry-specific training services to new, expanding, and existing companies. The program is meant to enhance Georgia's other economic development initiatives. Quick Start's budget rose from $4 million in 1987 to $4.9 million in 1989.

Program in Practice

In 1988, Quick Start served 106 projects that trained 11,299 new employees, a 70 percent increase in trainees over 1986. In 1989, Quick Start served 123 projects training 11,418 people.

Contact

Quick Start
Georgia Board of Postsecondary Vocational Education
One CNN Center
Suite 600 South Tower
Atlanta, Georgia 30303-2705
(404) 656-7826
Fax (404) 656-6720

Iowa Industrial New Jobs Training Program

Reference: *The Guide* (1988), page 222

Program Objective

The Iowa New Jobs Training Program (INJTP) provides funds for linking area community colleges and businesses to train workers for specific employment opportunities.

Program Progression

The program has not changed significantly since it began in 1983; it continues to use a tax-increment financing mechanism to back bonds that support tailored training activities offered by community colleges. Tax-exempt or taxable bonds are sold by the colleges on behalf of participating businesses. The bonds are repaid through increased property taxes that a company pays as a result of its investment in new or expanded facilities and equipment, as well as from part of the increased payroll taxes generated by the additional jobs attributed to the training program.

Program in Practice

INJTP is administered jointly by the state's 15 community colleges and the Iowa Department of Economic Development (IDED). Once businesses and colleges agree to customized training programs, IDED provides technical assistance and oversight.

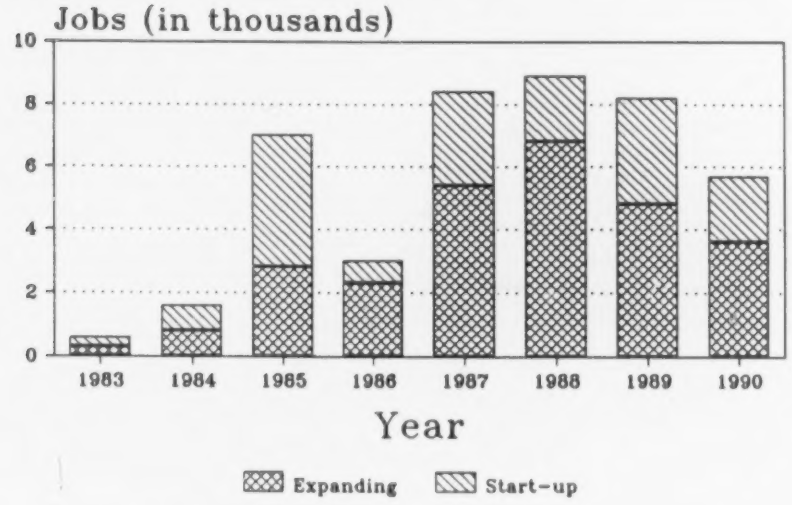
Since the first project, community colleges have sold $121,895,000 in INJTP-related bonds (in the form of training certificates), creating 42,694 jobs. More than 62 percent of these jobs were in expanding operations, with the balance in business start-ups. The average starting wage for INJTP employees has risen from $5.61 per hour in 1984 to $8.22 in 1990. Community colleges have carried out 529 training projects--376 for company expansions and 153 for business start-ups or branch plants that were new to Iowa.

In 1988 INJTP reported that 110 projects had provided training for nearly 9,000 positions. In 1989, 112 projects supported training for about 8,000 positions. In 1990, 70 new projects trained people for almost 6,000 positions. Program officials suggest that this reduction could be due to a general economic slowdown as well as the considerable demand in training development and service delivery on community colleges from previous INJTP activity, that could be limiting their ability to seek new projects. The graphs on the next page show the rate of job creation and types of projects funded by the training program.

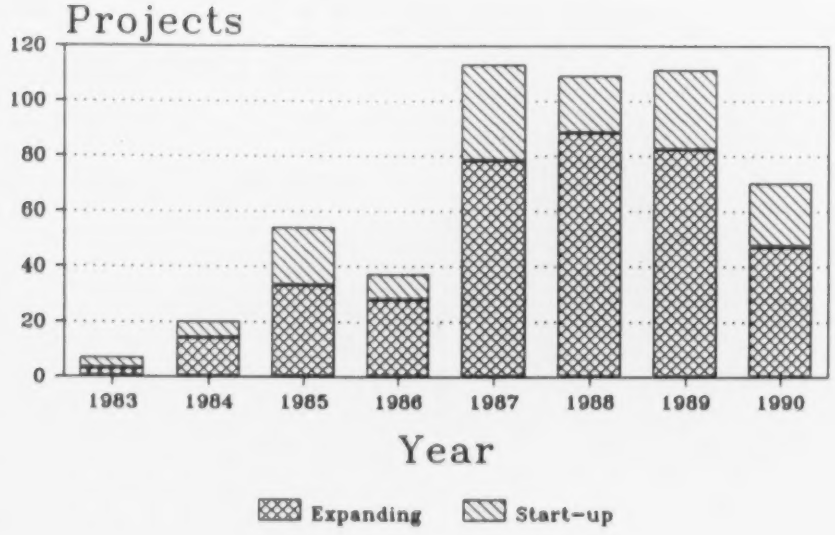
Contact

Iowa Industrial New Jobs Training Program
Iowa Department of Economic Development
200 East Grand
Des Moines, Iowa 50309
(515) 242-4774
Fax (515) 281-7276

INJTP Job Creation



INJTP Projects



New York Employer-Specific Skills Training Grant Program

Reference: *The Guide* (1988), page 224

Program Objective

This program helps employers increase their competitiveness in world markets by providing funds for training and technical assistance to improve products, increase productivity, and reduce costs.

Program Progression

No significant changes have occurred in the program. In 1988-1989, funding for the ten regional education centers reached $11.2 million, supporting 505 projects for more than 42,000 trainees. About two-thirds of the funding still comes from state appropriations; other sources include the federal Carl D. Perkins Vocational Act and the Job Training Partnership Act. Employers must provide matching funds.

Program in Practice

The regional centers and grant program help match employers' needs with the resources of community colleges and other trainers. Results show that education plays a crucial role in maintaining and expanding economic development activities.

The program's decentralized structure continues to allow for some local flexibility. The New York City center, for example, concentrates on projects that meet several specific goals: improve the competitiveness of minority-owned businesses, support local community economic development activities, and increase earnings of low-wage workers.

In fiscal 1989-1990, 1,800 employers participated in the New York City center program, training 4,249 employees. Of those employers completing a program survey, 74 percent employed ten or fewer people and 69 percent were minority-owned. Sixty percent of the employers reporting mentioned that the training program led to increased levels of production; 75 percent noted that product quality had increased. Nearly one-third attributed increased business sales to the program.

New York City Center Training Programs: Fiscal 1989-1990 Selected Employer Characteristics

Industry Type	Number of Employers
Agriculture	1
Construction	270
Manufacturing	272
Transportation/Communication	22
Trade	620
Finance/Insurance/Real Estate	36
Services	362
Government	7
Miscellaneous	72
Total, Industry Reported	1,662
Not Reported	138
Total	**1,800**

Fiscal 1989-1990 Selected Trainee Characteristics

Trainee Categories	Number of Trainees
Disadvantaged	418
Dislocated	352
Public Assistance	418
Unemployment Insurance	175
Displaced Homemaker	48
Disabled	17
Total, Category Reported	3,300
Not Reported	949
Total	**4,249**

Contact

New York Employer-Specific Skills Training Grants
Regional Education Center for Economic Development
130 West 42nd Street, Suite 901
New York, New York 10036
(212) 840-2910
Fax (212) 840-2948

Louisiana Industrial Training Program

Reference: *The Guide* (1988), page 226

Program Objective

The program provides comprehensive, direct planning and training services to new or expanding manufacturing plants in the state.

Program Progression

The Industrial Training Program continues to train prospective employees to meet company skill needs and perfomance standards through pre-employment training and on-the-job training. Run by the Office of Commerce and Industry (OCI), the program offers both preliminary planning and actual training.

Training is still conducted over six to eight 10-hour weeks and usually is scheduled at a time most convenient for trainees to attend, often in the evening. The pre-employment trainees are not compensated for the training time but are offered valuable job-training services.

The program now receives some financial support from the state's Department of Employment and Training and the Department of Education's vocational-technical branch. The state also has earmarked a portion of its JTPA monies for the program.

OCI does not make contracts with private-sector firms for the Industrial Training Program; it negotiates a contract with a nonprofit organization (usually a local chamber of commerce) that sponsors a company needing training. The organization in turn reimburses the client company for the time it spent on instruction, which often is conducted by company officials.

To be eligible for the training program, a potential client company and a sponsoring nprofit organization now must submit a written application accompanied by a projection of the number a type of positions for which workers will be trained.

Program in Practice

In the past 15 years, Louisiana's program has conducted more than 500 successful training projects. Between fiscal 1976 and fiscal 1985, the Industrial Training Program furnished complete training services to an average of 38 client companies for 3,100 trainees per year. Major corporations have used this program, especially to fill their semi-skilled positions. After suffering a significant budget cutback, the program provided services to 16 new or expanding firms in 1987-1988, for about 700 trainees. The Industrial Training Program currently is lobbying the state for a larger share of its JTPA funds.

Use of Training Program: Fiscal 1985 - Fiscal 1990

Fiscal Year	Number of Firms	Number of Trainees
1975-1985	379	30,967
1985-1986	47	1,167
1986-1987	72	3,673
1987-1988	16	703
1988-1989	9	583
1989-1990	17	761
Total 1975-1990	**540**	**37,854**

Contact

Louisiana Industrial Training Program
Louisiana Office of Commerce and Industry
Development Division
P.O. Box 94185
Baton Rouge, Louisiana 70804
(504) 342-5365
Fax (504) 342-5389

8. Tax Incentives Case Studies

Tax incentives are among the oldest tools in the state and local economic development arsenal. Most states offer comparable packages of tax advantages. According to information collected by the Northeast-Midwest Institute, 32 states give tax credits for various industrial investments; 30 offer tax incentives for job creation; 30 encourage capital improvements through a tax exemption or moratorium; and 20 provide a tax exemption for business research and development expenditures. Most states also offer exemptions from state, personal, and corporate income taxes for start-ups and newly settled firms. Businesses often can take advantage of property tax-rate freezes, new business capital-gains deferral, and reduction or exemption from sales taxes for activities ranging from the purchase of new manufacturing equipment to plant-expansion expenditures to high-technology operations.

States long have subsidized business tax obligations, in spite of evidence disputing their actual effectiveness in stimulating public investment. No reliable estimate exists of the total amount of state tax revenue foregone through all of these incentives; Roger Vaughan, writing in *Economic Development Commentary*, suggested that the 50 states are giving up hundreds of millions, perhaps billions of dollars in revenues each year.[1] Local governments add substantially to this amount.

Some types of tax incentives have been criticized as scattered and excessive--"giving away the store." Numerous studies of tax incentives, some of which have surveyed corporate executives taking advantage of such programs, have failed to establish a significant correlation between tax incentives and business-location decisions. Companies certainly like them, but other factors such as infrastructure, work-force skills, and community receptivity are weighed more heavily.[2] Moreover, most new and small companies--the key to economic recovery in many places--cannot take advantage of any types of tax incentives because they usually show little or no profit and therefore have few tax liabilities to offset with corporate tax breaks or investment and job-creation tax credits.

These negative features often overshadow the importance of tax policies and tax rates in state and local economic development, when in fact they can serve broader objectives. Tax policies can, for example, be designed to help remove barriers in an area's capital markets that affect the ability of local firms to secure needed financing. Moreover, state and local tax climate, while not critical in business-location decisions, can influence a firm's profitability and competitiveness and, ultimately, its survival. Taxes not related to size and ability to pay but require a fixed payment--such as licenses and user fees--may deter the birth or expansion of small operations.

States are beginning to create tax systems that reward modernization of the economic base. They require a series of tax incentives that new and small firms can understand and use and places the emphasis on provisions that reward, rather than penalize, innovation and modernization. More than half the states have devised more tailored tax-code benefits to achieve specific objectives; they concentrate on needs such as:

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[1]Roger Vaughan, "State Tax Incentives: How Effective Are They?" *Economic Development Commentary*, January 1980, p. 4.

[2]Philip M. Klutznick, "The Effects of Property Taxation on Investment Decisions," in C. Lowell Harriss, editor, *The Property Tax and Local Finance* (New York, N.Y.: Academy of Political Science, 1983), pp. 73, 78, and 81.

- creating jobs;
- encouraging investment in distressed neighborhoods or communities;
- sparking renovation of existing industrial and commercial facilities;
- encouraging particular industries or sectors to stay within their communities and/or expand operations; and
- enhancing specific features of the business-development process, such as pollution-control capacity or research and development.

CID Venture Partners

(Formerly Indiana Corporation for Innovation Development)

Reference: *The Guide* (1988), page 236

Program Objective

CID Venture Partners is a private venture capital partnership organized to invest in Midwest companies with the potential for long-term growth.

Program Progression

The Corporation for Innovation Development, chartered by the state and established in 1982 to offer tax incentives to create a private venture capital pool, recently dissolved into a private limited partnership entitled CID Partnership. It is managed by a group called CID Venture Partners that seeks investments in companies in four general categories:

- management buyouts, in which CID takes the lead in organizing the financing and providing necessary equity capital to allow managers to purchase the companies they run;
- recapitalization of family-owned businesses, in which CID meets owners' liquidity needs without forcing them to sell their companies;
- expansion financing for established companies, in which CID serves as a private equity investor; and
- start-ups, in which CID provides initial funding for early-stage companies with products or services having potential for rapid sales growth.

No preference is given to the industry in which the company operates, but a proven management strategy and team are required.

Program in Practice

The original Corporation for Innovation Development raised $9.7 million; it invested nearly $8.1 million in a broad cross-section of Indiana industries. They include the Bristol Corporation, which manufactures specialty wire products and plastic plumbing fittings; Sentinel Monitoring Inc. for developing hospital patient monitoring equipment; and the Indiana Rail Road Company, which operates a short-line

railroad. A second fund of $27.3 million has been raised and will be used for investments throughout the Midwest.

The CID Partnership also became involved in educational pursuits by committing 5 percent of its net income to the state's Commission for Higher Education to be used to develop entrepreneurial and small business training programs at all the state universities.

Contact

CID Venture Partners
Capital Center, Suite 1950
201 North Illinois Street
Indianapolis, Indiana 46204
(317) 237-2350
Fax (317) 237-2355

Missouri Neighborhood Assistance Program

Reference: *The Guide* (1988), page 238

Program Objective

The Neighborhood Assistance Program (NAP) continues to provide tax incentives to Missouri businesses to encourage their involvement in local community development efforts.

Program Progression

NAP continues to promote community welfare projects. The legislature's support for the program is reflected in its approval of more tax credits. The amount available has grown from $8.75 million in fiscal 1988 to over $14 million in fiscal 1990. Program officials recently added a sixth category to those originally eligible for tax credits. Community based not-for-profit agencies now may acquire, furnish, renovate, or equip certain buildings for the purpose of job creation. Two million of the $14 million available in tax breaks is earmarked as an incentive for participation. Business may receive tax credits for their contribution of money or resources to this effort or the original five categories: community services, job training, physical revitalization, crime prevention, and education.

The legislature initially allowed businesses to claim up to 50 percent of the value of their contributions toward their state tax liability. A new credit of 70 percent is now available on donations made to projects in rural communities with populations of 15,000 or less. Recent legislation also made tax credits available to non-financial institutions that make below-market-rate loans to development projects. The program computes the amount of interest foregone between the rate offered and the current rate on U.S. Treasury bills; the forfeited amount is considered the donation on which the credit is based.

Program in Practice

From mid-1978 to mid-1990, NAP has approved $84 million worth of business contributions to over 350 projects for tax credits totaling $42 million.

Contact

Neighborhood Assistance Program
Department of Economic Development
P.O. Box 118, 301 West High Street
Jefferson City, Missouri 65102
(314) 751-5967
Fax (314) 634-5472

West Virginia Capital Companies Program

Reference: *The Guide* (1988), page 241
Revitalizing (1989), page 47

Program Objective

The West Virginia Capital Company Act encourages the formation of private investment capital companies through a system of credits against state taxes.

Program Progression

Since the program was authorized in 1986, it has encouraged individual and corporate investment in the state. The program continues to award investors a 50 percent state-tax credit for every dollar invested in a capital company. The legislature has made no significant modifications in the program since its beginning.

Program in Practice

The number of qualified venture capital companies grew from five with a collective value of $5.6 million in 1987 to 28 companies with a total capitalization of $43.5 million in 1990.

Contact

West Virginia Capital Companies Program
Jobs Development Corporation
Economic Development Authority
Charleston, West Virginia 25305
(304) 348-3650
Fax (304) 348-0449

Delaware Business Tax Incentive Program
(Formerly Delaware Corporate Income Tax Credits and Gross Receipts Tax Reductions)

Reference: *The Guide* (1988), page 245

Program Objective

The Delaware Business Tax Incentive Program promotes investment and helps create jobs in targeted industries and geographical areas through adjustments to state taxes.

Program Progression

This program, created by the Delaware legislature to stimulate the state's economy, became effective in 1979. Eligibility was expanded substantially in 1985. Administered by the Division of Revenue, the program continues to encourage business expansion and job creation through investment in the manufacturing and wholesale trade sectors, as well as in laboratories and similar facilities for scientific, agricultural, or industrial research. Program incentives have not been modified to any great extent.

Program in Practice

By the end of 1988, corporate income-tax incentives had helped create 1,754 new jobs and had spurred $537 million in total capital investment. Some 41 companies had participated, claiming $6.4 million in tax credits and reductions.

Contact

Delaware Business Tax Incentive Program
Division of Revenue
820 North French Street
Wilmington, Delaware 19801
(302) 577-3321
Fax (302) 577-3106